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Exploring the Forensic Accounting Practice in the UK: Evidence from the profession

A Thesis Submitted to Middlesex University in Partial
Fulfilment of the Requirements for the Degree of Doctor of
Philosophy

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September 2014

Declaration of Originality

I hereby declare that this project is entirely my own work and that any additional sources of information have been duly cited.

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Signed...

Dated...

Name of supervisors

Professor John Grahl

Dr Dee Alwis

Abstract

Since the recent accounting scandals, policy makers and regulators have been developing strict measures coupled with continuous improvements in corporate governance practices to protect the economy from corruption and fraudulent acts. Forensic accounting has emerged in an effort to detect and prevent these financial crimes.

This research focuses on investigating the practice of forensic accounting in the UK and the role of the accounting profession in the professionalisation of forensic accounting. Drawing from Abbott's (1988) thesis of a system of professions, the study sets out to examine **the problem** that has initiated the need for this professional work; how the accounting profession's **subjective interpretation** of this problem has impacted their legitimisation of the forensic accounting practice; **the professional work** that the accounting profession has managed to legitimise through such subjective interpretation; the **abstract and professional knowledge** needed to legitimise, strengthen and extend the accounting profession's expertise into new jurisdictions of the forensic accounting practice; and the **regulatory** role to protect the boundaries of professional work from competitors; and, the internal and external **disturbances** that have shaped the forensic accounting practice. Those disturbances result in professional rivalry, **competition** and eventual jurisdictional **settlement**, areas also investigated in this study.

Although recent studies in the field of forensic accounting have focused on issues relating to the emergence of its practice, much literature remains silent with respect to the role of the accounting profession in the professionalisation process of forensic accounting, which has lead to the emergence and recent boom of this area of expertise. Furthermore, the role of social actors such as the big four accounting firms in the professionalisation process is invisible in the accounting literature. This is because very little mainstream accounting research focuses on the social construction of the accounting practice. Therefore, the contribution of this study is two-fold. First, it adds to the rare forensic accounting literature by providing in-depth account of the features and functions of forensic accounting. Second, it provides empirical evidence on the role of the accounting profession in the professionalisation process of forensic accounting.

The author has, therefore, employed an interpretive approach that considers the political and social factors influencing the current outlook of the forensic accounting practice. A multiple case study design was employed, where three subjects of investigation were chosen, namely Big Four firms, specialist forensic investigative firms, and accounting professional bodies. Employing a mix of qualitative and quantitative approaches; interviews, documentation analysis and postal-survey questionnaires were chosen as the appropriate methods for an in-depth investigation of the development of forensic accounting.

The findings of this study highlight that forensic accounting professionalisation has been greatly influenced by the subjective interpretation of the accounting profession, where powerful legitimacy and marketing strategies have been employed by the accounting profession to legitimise the forensic accounting practice. The accounting profession was able to claim, strengthen and extend its legitimacy in almost all practice areas of forensic accounting, thus becoming the main provider of forensic accounting services. The study finds that state regulation, the technological explosion, globalisation and the economic downturn have all contributed to the accounting profession success in claiming such status. The study further finds that intra-professional competition plays a major role in shaping the dynamics of the forensic accounting practice. Such competition, together with the relative lack of regulating standards within the forensic accounting practice, had shed light on a new form of professionalisation, where the big four accounting firms had a major role in regulating the market. This latter point is of importance to policy makers and standard setters.

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ACRONYMS

ACCA	Association of Chartered Certified Accountants
ACFE	Association of Certified Fraud Examiners
AICPA	American Institute of Certified Public Accountants
AICPA FVS	AICPA Forensic Accounting and Business Valuation Services
APESB	Australian Accounting and Ethical Standards Board
APB	Auditing Practice Board
ADR	Alternative Dispute Resolution
CPA	Certified Public Accountant
CICA	Canadian Institute of Chartered Accountants
CIMA	Chartered Institute of Management Accountants
CIPFA	Chartered Institute of Public Finance and Accountancy
CFF	Certified in Financial Forensics
CGAA	Co-ordinating Group on Audit and Accounting
CA	Chartered Accountant
CC	Competition Commission
CIArb	Chartered Institute of Arbitrators
DOJ	Department of Justice
DTI	Department of Trade and Industry
EC	European Commission
ES	Ethical Standard
FSIG	Forensic Special Interest Group
FEWG	Forensic and Expert Witness Group

FLS	Forensic and Litigation Services
FSA	Financial Service Authority
FCPA	Foreign Corrupt Practice Act
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
HRMC	Her Majesty's Revenues and Customs
ICAEW	Institute of Chartered Accountants in England and Wales
ICAS	The Institute of Chartered Accountants of Scotland
ICAI	The Institute of Chartered Accountants in Ireland
IEW	Institute of Expert Witness
IFA	Investigative and Forensic Accounting
ICSID	International Centre for Settlement of Investment Disputes
LIBOR	London Interbank Offer Rate: The average interbank interest rate at which a selection of banks on the London money market are prepared to lend to one another
NIFA	Network of Independent Forensic Accountants
NACFE	National Association of Certified Fraud Examiners
NAS	Non-audit Services
SEC	Securities and Exchange Commission
SOX	Sarbanes- Oxley Act
SOCA	The Serious and Organised Crime Agency
SSCS	Statements on Standards for Consulting Services

TAE

The Academy of Experts

Chapter 1

Introduction

1.1 Introduction

The bankruptcies of Enron and WorldCom, the fall of Arthur Andersen, and probes of the securities and investment banking industry have highlighted the challenges that our economy is currently facing. Despite tighter regulatory measures and the continuous improvements in corporate governance measures, both the private and the public sector face significant challenges in protecting their financial accounts from the numerous different forms of fraud and corruption. New technology has made it even easier for fraudsters to embezzle large sums of money from corporations, financial institutions and even governmental accounts across the globe.

The UK economy has been severely affected by economic crime of this nature. For example, in 2009, PwC UK conducted a global economic survey to estimate the number of UK businesses that had been affected by economic crime. The study concluded that more than half of the 3,037 UK businesses surveyed had experienced economic crime in the previous 12 months and that 70 percent believed it to be increasing (PwC, 2009). In addition, KPMG's 2011 Government Fraud Barometer looked at the amount of fraud conducted against UK government agencies and found a 90% increase in fraud perpetrated against the UK government, skyrocketing from £277m in 2008/09 to £527m in 2010/11. Tracing the assets and recovering stolen and illegally acquired funds is expensive, difficult and time-consuming, particularly if the investigation is hampered by secrecy and confidentiality laws restricting the disclosure of bank and business records.

Forensic accounting has since emerged in the forefront of the crusade against financial deception (DiGabriele, 2009). In its simplest form, forensic accounting can be defined as: 'the relation and application of financial facts to legal problems' (Bologna & Lindquist, 1995:42). Forensic accounting is not just about number crunching. It is about solving complex financial riddles, investigating fraud, determining damages, valuing businesses, and resolving other financial disputes using

an intuitive approach (Chilvers, 2000); and applying intuition, critical analysis and a perceptive understanding of human behaviour to obtain a true and fair view of key events, transactions and business dealings (Bologna and Lindquist, 1987). Forensic accountants provide investigative, risk management, consulting and litigation support services addressing economic crime. Forensic accounting services offer a broad array of anti-money laundering services to corporate and governmental clients, including risk assessments, legislative compliance consulting, corporate due diligence, suspicious transaction detection and reporting, and investigations, as well as asset tracing and recovery (Schneider, 2006, ACFE website, 2013).

Despite the enormous increase in the importance of their role, our understanding of how forensic accountants contribute to the security of our economy is still underdeveloped. Little is known about what forensic accounting is, who the key players are, what characteristics, attributes and skills are needed to practice forensic accounting, what services they provide and how forensic accountancy is regulated. Furthermore, a review of the forensic accounting literature reveals that the process of professionalising forensic accounting in the UK has not yet been adequately addressed (more details can be found in section 1.2.2).

In addressing these issues, this thesis will present one of the first empirical investigations into the practice of forensic accounting in the UK. This study investigates the defining features of the forensic accounting practice, in terms of the skills and qualifications required and the services provided. It also examines how the practice is regulated, with particular emphasis on investigating how the dual role of accounting firms, providing both auditing and forensic accounting services to their audit clients, affects their independence. The next section of this chapter introduces the background to the research problem and the theoretical framework employed in this study. Section 1.3 sets out the aim and the objectives of this research, together with the research questions. Section 1.4 describes the methodology followed. Finally, section 1.5 presents an outline of the dissertation.

1.2 Background to the Research Problem

This section outlines the scope of this thesis. The purpose of this study is to enrich our understanding of forensic accounting in the UK and how the accounting profession

claims expertise in its practice. Using investigations of the forensic accounting practicing firms and their professional institutions, this study documents and interprets the professionalisation process of forensic accounting in the UK. Before an overview of the study's theoretical framework (i.e. system of professions), there precedes an outline of the problematic nature of forensic accounting and of why it is worth exploring.

1.2.1 The significant development of forensic accounting

The utilization of forensic accounting services is not only growing in importance in today's global age, its application is also increasing in complexity (AICPA, 2010). Forensic accounting has significantly developed in the last 20 years from merely providing expert witness services to providing an array of financial and non-financial investigative services. This expansion has increased the challenge forensic accounting firms face in keeping up with the advances in technologies; the globalised nature of their clients' businesses and, most importantly, the challenge of developing and maintaining the skills-set needed to provide those services. Therefore, in recent years, many forensic accounting firms have increasingly employed the expertise of different professional groups (e.g. accountants, lawyers, IT specialists, fraud investigators) in every forensic accounting engagement to help meet their clients' needs.

As a result of this dynamically structured forensic accounting, together with the robust demand for this type of services, forensic accounting has attracted the attention of many academic researchers (Cohen, Crain and Sanders, 1996; Harris and Brown, 2000; Grippo and Ibex, 2003; Messmer, 2004; Ramaswamy, 2005; Kahan, 2006; DiGabriele, 2008, Crumbley, 2009a, 2009b, Lawrence, 1999, Williams 2005, 2006, Gray, 2008; Golden, Skalak and Clayton, 2006, Baron, 2006; Wells, 2003, Groomer and Heinz, 1994; Rezaee, Reinstein and Lander, 1996; Rezaee and Burtin, 1997; Buckhoff and Schrader, 2000; Peterson and Reider, 2001; Rezaee, 2002, Rezaee, Crumbley and Elmore, 2006), professional bodies (AICPA, 2010, 2011; CICA, 2006), and industry publications (KPMG, 2011, PwC, 2009).

1.2.2 The Sociology of Professions

As already stated, this study aims to investigate the professionalisation process of forensic accounting. The sociology of professions was fruitful in developing the theoretical framework of this study; in particular, the approach undertaken in this

study was based on Abbott's (1988) theoretical framework of the system of professions. Abbott placed special emphasis on the way professions develop by considering the link between a profession and the work it conducts (a link he called jurisdiction). Abbott's professional model focused on how professions define, negotiate and extend their jurisdictional boundaries in competition with rival professional groups. During this process, a professional group needs to continuously define and redefine its claim to the knowledge on which the profession stakes its professional status and jurisdiction. In the course of a professional group's professionalisation journey, it is faced with disturbances that create new work, abolish other work or simply redefine the work to be done. The outcome of such disturbances is usually jurisdictional settlements. Abbott's (1988) work is much cited in accounting academic literature (Montagna, 1986; DeZalay, 1995; Picciano, 1989; Hanson, 1990; Robson and Cooper, 1990; Richardson, 2002; Covalleski et al., 2003; Arena and Jeppesen, 2010, Armstrong, 1985; Dezalay and Sugarman, 1995; Martens and McEnroe, 1992, 1998; Napier and Noke, 1992; Pong, 1999; Walker, 2004).

Abbott's sociological vision was found to be germane to the analysis of the IFA (Forensic Accounting and Investigative) industry in the light of: (1) his concern with professional formation and development, and (2) his elaboration of a particular analytic technique: this method conceives a profession's development of knowledge and the continuous modification of a profession's internal structure at workplace as large-scale forces in negotiating jurisdictional boundaries.

Abbott's (1988) framework has helped me understand: the problem that created the need for this professional group's work; the strategies employed to legitimise this work and the abstract and professional knowledge needed to secure a professional status in this area of expertise; the professional work categories and the role of professional associations (regulators) in legitimating the practice; the rivalry competition faced and the jurisdictional settlement reached.

It is interesting to investigate this line of research at the present time for two reasons. Firstly, there have been many concerns within this century with regard to the objectivity of the accounting profession (Samuel, Covalleski, and Dirsmith, 2009). For example, Arthur R. Wyatt's speech in 2003 at the American Accounting Association annual meeting titled *Accounting Professionalism - They Just Don't Get it* expressed

concerns that the accounting profession has lost its sense of professionalism. He points to a number of causes including: the unwieldy size of the big accounting firms; the transformation of the American Institute of Certified Public Accountants (AICPA) from a professional to a trade association; the increased proportion of non-accountants hired by accounting firms, a group not schooled into the professional values and ethics of the accountant; the tremendous pressures to increase audit-related revenues generated by the boom in consulting services; and the far too close relations which big accounting firms cultivate with their clients. As the situation is not any different in the UK, it is interesting to investigate whether these claims have any impact on the professionalisation and legitimisation of forensic accounting practice. Secondly, recent studies (e.g. Huber, 2012) provide evidence that forensic accounting is considered a profession in its own right rather than a special niche within the accountancy profession in the US. For example, Huber (2012) argues that an increasing part of the forensic practice is not related to GAAP and does not need a CPA to provide the services involved. The basic association with accounting is clearly exploited as a critical component of the social legitimacy of the forensic accounting practice (Williams, 2002) which means that forensic accounting can be viewed in the same way as any other non-audit services provided and solely owned by the accounting profession.

Nonetheless the disuse of the word ‘accounting’ and adaptation of the alternative terms ‘forensic consultancy’ or ‘forensic services’ by the large accounting firms, together with the increased provision of forensic accounting practices by in-house accountants in the legal profession, calls into question the status of forensic accounting in the UK. There is much to be learned from investigating this phenomenon while simultaneously asking where the practice currently stands.

1.3The Research Aim and Objectives

1.3.1 Research aim

The above discussion reveals the current lack of systematic research into the professionalisation process of forensic accounting in the UK. While there is much material in the accounting literature on the historical development of the accounting profession (Abbott, 1988; Robson & Cooper, 1990; Sikka & Willmott, 1995; Hanlon,

1996, 1997, 1999), little is known about how the accounting profession legitimatises new areas of work under its professional expertise. This theme will be at the heart of the research presented in this thesis. As such, the aim of this research is to:

Investigate the role of the accounting profession in claiming expertise in the forensic accounting practice in the UK. In doing so, the research aims to investigate (1) the problem that has triggered the need for this professional group's work, (2) the legitimisation strategies employed by this professional group in order to claim expertise in the forensic accounting practice, (3) the forces that have shaped the development of forensic accounting practice, (4) the abstract and professional knowledge needed to legitimate this area of expertise, (5) the professional areas of work where the accounting profession was successful in claiming expertise, (6), the regulatory role of professional associations in legitimating the practice.

1.3.2 Research Questions

The study is focussed on five research questions:

RQ1: What does the construction of the meaning of “forensic accounting” reveal about the development of forensic accounting in the UK?

RQ 2: What professionalisation strategy is employed by the accounting profession in the forensic accounting practice?

- RQ 2a: Which areas of forensic accounting practice (professional work) did the accounting profession claim professional expertise in? Why did forensic accounting practicing firms witness growth in those areas of practice (i.e. extended jurisdiction)?
- RQ 2b: Why was the accounting profession successful in legitimating the forensic accounting practice? What are the strategies that the accounting profession used to build a professional image as the main provider of forensic accounting services in the public and legal arena?
- RQ 2c: What are the external factors (disturbances) that affected the demand for forensic services, and how did those external factors impact the accounting profession (i.e. did it create or abolish new opportunities in the forensic accounting practice, did it change internal knowledge and skills requirement, did it require the employment of other professional groups)?

- RQ 2D: What are the abstract, professional knowledge and skills of the forensic accounting practice?
- RQ 2E: Why did the accounting profession face inter-professional competition within the forensic accounting practice? What jurisdictional settlements did the accounting profession have to settle for?

RQ3: What does the intra-professional relationship reveal about the structure of forensic accounting market in the UK?

RQ 4: If auditors appointed by a company provide forensic services (separate from audit services) to management or the audit committee, can these services impair the audit firm's independence? If so, under what circumstances?

RQ5: Why is the forensic accounting practice unregulated in the UK?

1.3.3 Research Objectives

From the research questions posed above, a set of clear objectives emerge. The following objectives direct this study:

- To assess the regulatory frameworks that accounting bodies have developed- to identify, define and monitor the practices of forensic accountants- in order to understand how forensic accounting is regulated. In doing so, to identify the ethical and independence requirements for forensic accountants when acting in the dual role of providing both forensic and auditing services.
- To identify an appropriate theoretical framework, and to expand and modify where necessary to provide a novel and comprehensive model for the empirical investigation of how forensic accounting is professionalised in the UK.
- To carry out a field study empirically examining themes relating to the professionalisation of forensic accounting.

1.4The methodological approach: brief summary

This research entails the investigation of the professionalisation process of forensic accounting in the UK and the role of the accounting profession in this

professionalisation process. This mode of enquiry requires understanding of how the main social actors in the field perceive themes such as: how the meaning of ‘forensic accounting’ is socially constructed in their day-to-day practice, how the accounting profession legitimised the practice of forensic accounting under its jurisdiction, what inter and intra-professional conflicts the profession faced, which forensic accounting practices the participants consider to compromise their independence as auditors and how the self-regulatory nature of the practice affects its professionalisation process. Obviously, this theme of research is centered upon social actors’ behaviour and their interactions with the social environment. Thus, an interpretive approach was found to be most suitable for this study, since it focuses on investigating the subjective and intersubjective interpretations of social actors which is created as they interact with the world around them (Orlikowski and Baroudi, 1991). Given this in-depth line of enquiry, multiple case studies were found to be an appropriate research strategy to enrich our understanding of how forensic accounting is professionalised in the UK. The data collection methods employed in this study, are: interviews (semi-structured and in-depth), survey questionnaires and documentation analysis. The data collection consisted of three phases. In the first phase, semi-structured interviews were conducted with the aim of exploring the perception of key individuals about the nature of the forensic accounting market. The preliminary results from this stage were used to develop the survey questionnaire (the second phase). This questionnaire was then distributed to the forensic accounting partners/managers of the top 100 accounting firms in the UK, the ICAEW FEWG register and NIFA register. The last phase employed in-depth interviews and documentation analysis to deepen understanding of the major themes identified in the previous two phases.

1.5 The Thesis Organisation

This thesis is organised into seven main chapters, organised as follows. Chapter one introduces the main issues addressed by the research. Chapter two presents the academic and professional literature on the current status of forensic accounting in different parts of the world, with special emphasis on the US, Canada, Australia and the UK. The chapter also presents the researcher’s critical perspective on the narrow definition of ‘forensic accounting’ currently presented in the literature, explores the development of the forensic accounting practice and the skill set required for this line

of work. It also introduces the three tiers of firms that provide forensic accounting services in the UK and a classification of the services these firms provide. The current self-regulatory nature of the forensic accounting practice in the UK and the impact this may potentially have on the practice is also examined in this chapter, with a focus on how independence issues of forensic accounting practitioners are governed.

Chapter three explores the sociology literature and critically evaluates the different approaches taken by professionalisation theorists, namely the functionalist, structural and critical approaches. This chapter provides a detailed discussion of the theoretical framework used in this thesis, Abbott's (1988) system of professions lens. This study opts for a critical approach, looking at the formation of the forensic accounting professional group and specifically exploring the different forces that contribute to the development of a professional group. The chapter then moves into a discussion of the development of the accounting profession in the UK.

Using Abbott's (1988) framework, accounting scholars have outlined the strategies and tactics used by the accounting profession throughout its history to establish, defend and extend its jurisdiction. They have investigated the profession's response to external and internal disturbance, highlighted the interprofessional competition between accountants and lawyers over a number of issues, and examined the jurisdictional claims the accounting profession has made in the public and legal arenas.

Chapter four describes the methodology and methods followed in this research to investigate the issues raised in the preceding chapters. It acts as an important link between the theoretical framework developed in the previous two chapters and the later chapters, which move towards a close examination of the professionalisation of the forensic accounting practice. The chapter evaluates the different investigative techniques and approaches with justification provided for a mix of qualitative and quantitative modes of enquiry and associated data collection and analysis techniques.

A multiple case study design was employed in this study, where three subjects of investigation were chosen: which are (1) Big Four firms, (2) specialist forensic investigative firms and (3) accounting professional bodies. Interviews, documentation analysis and postal-survey questionnaires were chosen as the appropriate methods for an in-depth investigation of the development of forensic accounting.

Chapters five and six present the analysis of the data relating to the professionalisation process of forensic accounting. Chapter five presents the analysis of four main themes, which are: (1) how the accounting profession defined and constituted ‘the problem’ of economic crime and fraud to an external audience, (2) the skills-set, knowledge and qualification (i.e. abstract knowledge) needed in the forensic accounting practice, (3) the services articulated by the accounting profession to address the needs of their external audience, (4) the external disturbances in the system of profession that might lead to the creation (or abolition) of new lines of forensic accounting services. Chapter six presents the findings related to: (1) intra-professional competition between large accounting firms and forensic boutique firms within the practice of forensic accounting, (2) the UK regulatory context for the provision of forensic accounting services, (3) the role and strategies of professional bodies in legitimating a professional brand and identity in the forensic industry, and (4) whether inter-professional rivalry is to be found between the accounting profession and the law profession within the forensic accounting domain.

Finally, chapter seven presents the conclusions of this study. This chapter reviews the evidence presented and further considers what contribution to existing literature this study might claim. In drawing conclusions, this chapter also considers the limitations of the study and offers suggestions for possible further areas of research.

Chapter 2

Literature review

2.1 Introduction

This chapter presents an overview of the forensic accounting industry. Due to the unexplored nature of forensic accounting, particularly in the UK, the aim here is to examine the relevant literature in forensic accounting across US, UK, Canada, and Australia to determine how previous academic research in this field can assist in constructing the framework of my study. With this goal in mind, I begin this chapter (section 2.2) with a critical examination of the different definitions of ‘forensic accounting’ offered by various scholars and professional organisations, discussing the similarities and differences between them and arguing that such definitions are largely lacking in important aspects of forensic accounting. This section also explores in detail the main skills, characteristics and qualifications forensic accountants ought to possess and introduces the three tiers of firms that provide forensic accounting services in the UK along with a classification of the line of services these firms provide.

The third and fourth sections of this chapter explore the current loosely-regulated environment in which forensic accounting is practised in the UK, with a focus on how the independence issues facing forensic accounting practitioners are handled. In both sections, I provide an analysis of how the regulatory system is structured in the US, Canada, and Australia as compared to the UK regulatory system. This form of comparative analysis helped me frame research questions 4 and 5 as presented in chapter 1 (section 1.3). The final section summarises the chapter and introduces the theoretical framework of this thesis, which relies on the sociology of professions literature to examine the professionalisation process of forensic accounting in the UK.

As presented in Chapter 1, there are two set of objectives which animate the current study. **The first**, which is covered in this chapter, involves the provision of a detailed account of the forensic accounting industry, and its origins, functions and structure. I found this objective to be important in highlighting the research gap and framing my thesis’s research questions. As will be presented later in this chapter much of the

research into forensic accounting has been conducted in the USA, where focus was placed on investigating, for example, the specialized skills and technical abilities forensic accountants ought to possess (Cohen, Crain and Sanders, 1996; Harris and Brown, 2000; Grippo and Ibex, 2003; Messmer, 2004; Ramaswamy, 2005; Kahan, 2006; DiGabriele, 2008); the increased demand for forensic accountants compared with the short supply of accountants sufficiently skilled to conduct forensic accounting activities (Crumbley, 2009a, 2009b); the influence of forensic accountants' reputation on the institutional structure of the practice in Canada (Lawrence, 1999); the steps taken by the 'private forensic accounting industry' (i.e. large forensic accounting practicing firms) to expand its horizons into the varied practices of forensic accounting in Canada (Williams 2005, 2006, Kahan, 2006), the difference between forensic accounting practice and traditional auditing practice (Gray, 2008; Golden, Skalak and Clayton, 2006, Baron, 2006; Wells, 2003); and, the importance of adding forensic accounting to the university curriculum (e.g. Groomer and Heinz, 1994; Rezaee, Reinstein and Lander, 1996; Rezaee and Burtin, 1997; Buckhoff and Schrader, 2000; Peterson and Reider, 2001; Rezaee, 2002, Rezaee, Crumbley and Elmore, 2006).

All these studies provide interesting insights into what forensic accounting is, but they are limited in two ways. First, they focus largely upon the American and Canadian rule-based market, with little having been written about forensic accounting in the UK, Australia, or anywhere else. Therefore, one of the major contributions of this study is the provision of a comprehensive account of the IFA industry in the UK. Second, the previous studies place little emphasis on the importance of investigating the professional development of forensic accounting practice, which increasingly influences its current status and importance (the focus of this thesis second objective).

The second core objective of this dissertation (outlined in Chapter 3) is to investigate the role of the accounting profession in claiming expertise in the forensic accounting practice in the UK. I utilised Abbott's (1988) critical approach of investigating the professionalization routes of different professions in order to contextualise this objective. The sociological vision of Abbott was found to be very useful in analysing due to: (1) his concern with inter-professional competition as a primary driver of professional formation and development, and (2) his development of a particular analytic method which conceives abstract and professional knowledge and the

continuous modification of a profession internal structure in the workplace as great forces in negotiating jurisdictional boundaries. Hence, it was determined that Abbott's focus on work, jurisdiction and competition could be useful in capturing and investigating the self-regulatory nature of forensic accounting in the UK. I explain in Chapter 3 in detail how I use Abbott's (1988) framework in the context of this study. This chapter, however, focuses on the current features that define the forensic accounting practice. I begin the next section by discussing how forensic accounting is defined.

2.2 Forensic Accounting: broader than you might think

The emergence of a myriad of texts, manuals, and publications on forensic accounting since the 1990s, particularly in the US, has mirrored the changing scope of forensic accounting practice. The role of a forensic accountant has gradually changed from someone who exclusively testifies in court as an expert witness to that of an investigative accountant, a financial detective with a suspicious mind (Crumbley, 2009b). This shift in the nature of the role was unsurprising. An expert witness is, *'a person who is a specialist in a subject, often technical, who may present his/her expert opinion without having been a witness to any occurrence relating to the lawsuit or criminal case... provided that the expert is qualified by evidence of his/her expertise, training and special knowledge'*¹ It is one of many activities that a forensic accountant may perform, as is true of members of any trade or profession. Distancing himself from the previous emphasis upon expert witnessing, DiGabrielle (2009) suggested that the discipline of forensic accounting encompasses two broad, overlapping areas of practice: litigation support and investigative accounting.

Yet, despite this expansion from its original focus upon expert witness-related activities. or perhaps because of it, forensic accounting remains imprecisely defined. Its relatively recent emergence as a distinct activity undertaken mainly by accounting professionals is beginning to impact on both the career and general employment options available to accountants. The time may have arrived for what 'forensic accounting' represents to be clarified, so that everyone, be they client, accountant, student, educator, or regulator is fully aware of the breadth of focus embraced by forensic accounting.

¹ legaldictionary.thefreedictionary.com

Over the past 20 years, a number of attempts have been made to define the term. For example, Bologna and Lindquist (1995: 42), one of the pioneers of the industry, adopted an attributes approach in describing forensic accounting as:

“The application of financial skills, and an investigative mentality to unresolved issues, conducted within the context of rules of evidence. As an emerging discipline, it encompasses financial expertise, fraud knowledge, and a sound knowledge and understanding of business reality and the working legal system.... Forensic accounting evidence is oriented to a court of law, whether that court is civil or criminal.”

This definition, however, fails to identify what forensic accountants actually *do* in the workplace. In 2004, the American Institute of Certified Public Accountants (AICPA) sought to address this by defining it thusly:

“Forensic procedures involve the systematic gathering of evidentiary data through the use of recognized investigative techniques that can be presented in a court of law. A forensic specialist, though not specifically defined, is an individual having expertise and/or training and experience in one or more disciplines that could be used in a forensic environment. Disciplines commonly applicable to forensic environments include accounting, auditing, fraud examination, law, computer and other technologies. Forensic accounting services generally involve the application of special skills in accounting, auditing, finance, quantitative methods, certain areas of the law and research, and investigative skills to collect, analyze, and evaluate evidential matter and to interpret and communicate findings, and may involve either an attest or consulting engagement.”

It is interesting that the AICPA scrapped the word ‘accounting’ when describing the role of a ‘forensic specialist’ in a ‘forensic procedure’. What is observable in this definition is that it is not necessary to be an accountant to provide forensic services, what is more important is that ‘anyone’- be they a lawyer, economist or researcher- who is capable of developing and applying a certain set of skills can be involved in a forensic procedure. This definition raises important questions about the role of non-accountants in the forensic practice and the competitive nature of the market. It also raises critical questions regarding the accounting profession’s approach of legitimating forensic accounting practice within its area of expertise. Reflecting on the sociology of professions literature, a definition of professional work is not only important in determining the boundaries of its expertise but also in achieving statutory recognition for a professional area of expertise and hence

excluding others from claiming expertise in this area (social closure strategy) (Richardson, 1997). However, it can be argued here that the accounting profession left its boundaries open to the expertise of other professional groups. How this strategy affected the accounting profession's legitimation of the forensic accounting practice is addressed in the analysis of RQ 2D(details are to be found in Chapter 5)

On the other hand, the Canadian Institute of Chartered Accountants (CICA, 2006:2) was keen to construct its definition around the importance of accountancy skills:

“An Engagement where, within the context of a contemplated or actual dispute or a legal system with a significant financial component, an expert provides services based on the application of knowledge related to the accounting domain (such as financial information, accounting, finance, assurance and control), and of knowledge related to one or more of the following: financial investigation, loss quantifications, certain aspects of law. An investigative and forensic accounting engagement involves at least one of the following: analyses, loss quantifications, investigations, gathering of evidence, mediation, arbitration, testimony as an expert witness. An investigative and forensic accounting engagement often involves the communication of a conclusion, that is, the communication of the results of the investigative and forensic accountant's work and findings and, if applicable, the investigative and forensic accountant's opinion on the issues examined”

The definitions provided by both the AICPA and CICA outline three important aspects of a forensic and investigative accounting engagement. First, the *knowledge base* a forensic accountant must/should possess, which clearly is not only accounting-knowledge oriented; a successful forensic accountant should have a broad coverage of the accounting domain and the legal system, and a good understanding of investigative and valuation techniques. Second, the *work* forensic accountants do has been clearly highlighted in both definitions, where it is apparent that both investigative and expert witness engagements are the main forensic accounting services provided. Third, both definitions stress the importance of communicating the outcomes of the work done, whether in the form of a report or, in the case of an expert witness engagement, a cross examination. However, I argue that those definitions lack very important aspects that define the larger scope of forensic and investigative accounting practice as discussed below.

The first aspect is that those definitions summarise the foundational and specialised forensic knowledge that are supposed to be the core knowledge of any experienced qualified accountant who has worked with clients in different industries. However, I think a shortcoming of both definitions is the failure to take note of the *requisite specialised skills* that a good forensic accountant should possess, i.e. where in both definitions did the institutes highlight the importance of skills such as investigative mentality and analytical ability, which presumably differentiate a forensic accountant's skills-set from that of a mainstream accountants? Forensic accountancy requires a specialised skills set (discussed in section 2.1.2) which I think both definitions were reluctant to take note of. For example, while the investigative aspect is briefly mentioned, they (AICPA and CICA) do not show the breadth of the investigative process forensic accountants go through i.e. the process of collecting both financial and non-financial information pertaining to a particular case, which will then be rigorously analysed and then the presentation of an adjudicative solution in the form of a forensic accounting report that expresses the independent forensic investigator's professional opinion based on his/her judgement of the facts analysed. Additionally, the '*accountancy qualification*' which is considered to be fundamental to any forensic and investigative accounting engagement (Lawerence, 1999) is totally overlooked in those definitions.

The second aspect of these schematic overviews is their faithfulness to the alleged functions and significance of the application of forensic knowledge through legal or court procedures- emphasising the expert witness role. Although this argument holds true given the increased rate of international arbitration, particularly in the UK (PwC, 2008), however, the definitions failed to account for the fact that larger accounts of forensic accounting engagements are more typically structured in terms of the far more diffused line of services oriented, not so much to judicial proceedings or legal matters, but rather the investigation and resolution of business problems brought forward by their clients (Williams, 2002). This is evidenced by the large number of settlements outside of court jurisdiction, which forensic accountant clients prefer, due to the huge monetary and reputational costs (Schneider, 2006) involved. These lines of services can range from asset-theft fraud and supplier fraud, to theft of intellectual property, to contract disputes, to the valuations of insurance claims. This

reflects the rather increased consultancy and advisory side of today's forensic accounting practice.

The third aspect of those definitional accounts is the failure of professional bodies to appreciate the breadth and diversity of the forensic accountant's professional contribution in the different fields of the forensic accounting practice in both litigation services and investigative or non-litigation services.

Further, these two definitions, and perhaps all the definitions outlined in the accounting literature, do not identify the distinctive attributes, which represent forensic accounting as a unique and highly specialised form of professional expertise. I argue that attributes such as objectivity, independence and neutrality, which are based on investment in well-established, precise, internally consistent, and technically sophisticated methodologies, are missing from those definitions. It is through these attributes that forensic accountants are able to combine the landscapes, categories and frameworks of business, accounting, economics and law, while rendering 'these substantive analyses and judgments' in a form which is recognised as universal, just and legitimate (Williams, 2002). Overall, these 'knowledge abstracts and attributes' and their deployment play a critical role not only in the identities of individual forensic practitioners, but also that of the profession as a whole (Lawrence, 1999). As supported in the sociology of professions literature, a professional group abstract and professional knowledge defines and legitimates the professional group's area of expertise to its public audience, and hence, acts as a shield against rival competition from other professions (Abbott, 1988). Therefore, I think the American and Canadian institute have failed so far to capture the essence of the forensic accounting practice.

In the UK, the situation is different. The UK accountancy profession currently comprises six accountancy bodies: The Institute of Chartered Accountants in England and Wales (ICAEW), The Institute of Chartered Accountants of Scotland (ICAS), The Institute of Chartered Accountants in Ireland (ICAI), The Association of Chartered Certified Accountants (ACCA), The Chartered Institute of Management Accountants (CIMA), and The Chartered Institute of Public Finance and Accountancy (CIPFA). Much accounting literature (e.g. Willmott 1986) contends that competition exists between those major associations, as each association has its own particular entry and

training requirements as a way of defending the interests of its members. Therefore, these bodies try to deny entry to those which do not meet specific entry criteria in training for membership.

Perhaps due to this competitive aspect of the accounting profession in the UK, the six accounting bodies have failed to construct a definition of forensic accounting. However, the leading professional accounting body in the UK, namely the Institute of Chartered Accountants in England and Wales (ICAEW), addressing joining graduates, describes a prospective career in forensic accounting as follows: *'forensic accountants are trained to look beyond the numbers and deal with the business realities of situations. Analysis, interpretation, summarisation and the presentation of complex financial and business related issues are prominent features of the profession. A forensic accountant will also be familiar with legal concepts and procedures. As an ACA student you might be: (1) investigating and analysing financial evidence; (2) developing computerised applications to assist in the analysis and presentation of financial evidence; (3) communicating their findings in the form of reports, exhibits and collections of documents and, (4) assisting in legal proceedings, including testifying in court as an expert witness and preparing visual aids to support trial evidence'*. The ICAEW also produces help sheets for members registered to their forensic special interest group and directs them to other professional bodies websites (Such as the ACFE, Institute of Expert Witness) for further assistance and information concerning any forensic and investigative accounting engagement. The role of UK professional bodies in defining the forensic accounting practice is to be further explained in section 2.1.2.2.

It could be argued that having an imprecise definition of forensic accounting has worked well for the accounting profession as it has allowed them the freedom to expand their practises to litigation services and other consulting services, an area which the legal profession considers to be its own territory. However, great caution should be exercised when one has an undefined territory of practice. Those themes are investigated in my case studies and the ultimate implications are discussed in Chapter 5.

Concisely, it is apparent from this discussion that a well-rounded definition of forensic accounting is missing from the forensic accounting literature. Whether it

would ever be possible to derive a truly all-embracing definition of a profession that is so disparate in its activities is debatable. I, therefore, reject existing definitions as the guiding principle of my study and construct the following definition as the focal definition of my thesis:

'Forensic accounting is the use of accounting, investigative and analytical skills to find, collect, analyse and communicate information of a financial nature to permit informed judgment or informed decisions either by individuals involved in a discussion, argument, or in legal proceedings, or by individuals contemplating such actions. Forensic accountants are qualified professional accountants with a wide range of expertise in areas like accounting, audit and finance who work with other specialists like technologists and lawyers, economists to form a forensic investigative team. In the process of communicating their findings, whether orally or verbally, forensic accountants possess a high degree of professionalism and independence. Their ethical adherence to the accountancy code of conduct guides their professional engagement.'

The next section explores the essential skills forensic accountants need to possess, an issue which I argue goes unaddressed in the definitions presented in this section.

2.3 Skills, Characteristics and Qualifications: What is needed to be a forensic accountant?

'Although forensic accounting is currently on the 'hot' list of client services, there are plenty of accountants getting involved who shouldn't be because they don't understand the ins and outs of the niche... many think it is simply fraud investigation, and it's not. It is really much more than dealing with the numbers. It's no longer just basic fraud work.' (Dubinsky, 2006)²

Being an effective accountant does not necessarily translate into being an effective forensic accountant. Because the work of forensic accountants is complex and varied, the professional must possess a broad spectrum of skills, technical knowledge and practical experience in order to meet the challenges they face in their day-to-day activities. However, in practice, the status and reputation of their firm may well influence whether or not he or she is appointed in the first place (Lawrence, 1999).

This section examines the forensic accounting literature, which mainly focuses on the American, Canadian and Australian contexts, with regard to the skills-set needed to be a forensic accountant. There have been recent arguments within this literature that,

² Partner and director of forensic accounting and dispute analysis at US forensic accounting practice, Dubinsky & Co., as quoted in Kahan (2006: 32)

due to the current complex dynamic of the corporate environment, more emphasis is placed on investigative and technologic skills, leading forensic accounting practicing firms in these countries to hire non-accountants (for example, investigators, former police officers and IT specialists) that possess the technical know-how and specialised skills-set needed. While I consider what has been presented in the forensic accounting literature to be a descriptive account of the skills-set needed, it does not reflect on how this changed dynamic has influenced the professional development of forensic accounting. This theme is particularly overlooked in the literature with regard to the UK, where there is little known about the forensic accounting practice. One of the contributions of this study is to investigate how the increase in demand for non-accountancy skills has impacted the legitimization of the forensic accounting practice by the accounting profession. By connecting what has been discussed in the forensic accounting literature with regards to the skills needed (this section) and the importance of a profession's knowledge in the system of professionalisation (chapter 3, section 3.3.4), chapter 5 (section 5.4) provides a thorough analysis of this phenomenon. But first, my focus is to present an overview of the skills needed to be a forensic accountant, a theme I nonetheless aim to connect to the importance of professional knowledge development.

2.3.1 The Practical World

In attempting to define the skills a forensic accountant ought to possess, the AICPA have outlined that a Certified Financial Forensic Accountant must possess knowledge in two primary areas: (1) core forensic knowledge and (2) specialised forensic knowledge. As illustrated in figure 2.1, forensic accountants in the US are expected to understand laws, courts and dispute resolution processes; plan and be able to prepare for forensic engagements, understand the information gathering process and the necessity to preserve evidence for a forensic engagement (documents, interviews/interrogations, electronic data); understand the discovery process and reporting process and have the sufficient knowledge and expertise to be able to testify as expert witnesses. In addition to those fundamental requirements, the AICPA require forensic accountants to possess knowledge and skills in specialist areas such as bankruptcy, insolvency and reorganization; computer forensic analysis; economic damages calculations; family law; financial statement misrepresentations; fraud prevention, detection and response; and, valuation (Durkin and Ueltzen, 2009, p. 5).

Underpinning this body of knowledge are the ‘CPA Core Skills’, which include education, training and experience with Generally Accepted Accounting Principles (GAAP) and their application; attest services; tax; general knowledge of business law and ethics (Davis, Farrell and Ogilby, 2009). That is, from the CPA perspective, to be a forensic accountant, it is necessary not just to be a CPA, but to have detailed knowledge of forensic accounting at both the fundamental and specialist levels. Consideration of these skills would suggest that even those forensic accountants who do not work in litigation support would need most of these skills and perhaps some others as well.

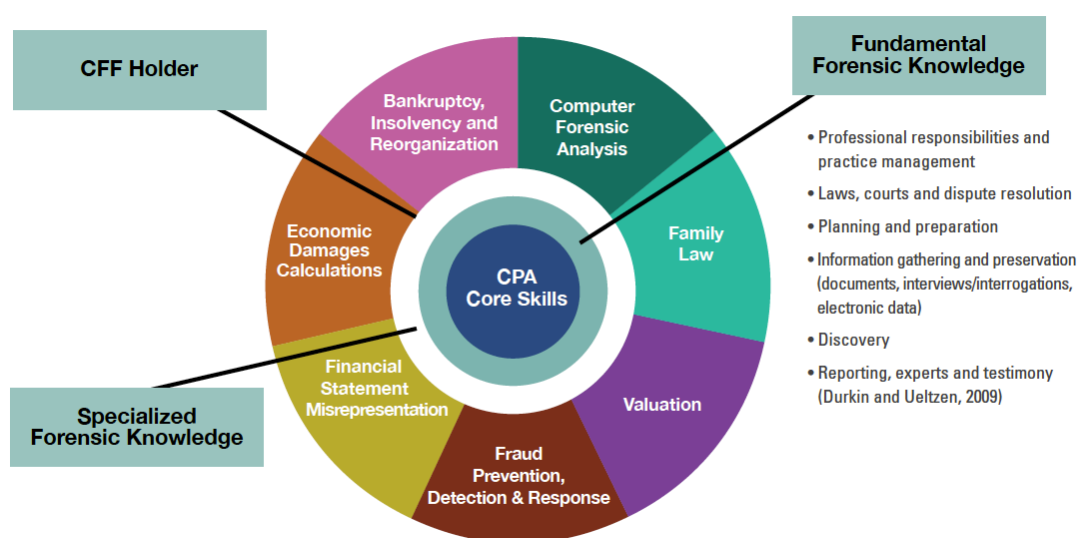


Figure 2.1 AICPA CFF Core Focus Wheel

Source: Davis, Farrell & Ogilby, 2010, p. 3

Although the AICPA have provided an extensive list of the essential skills (technical and non-technical) forensic accountants should possess, they did not illustrate which skill-sets are deemed most important. To address this gap, Davis et al., (2009) conducted a study in the US, involving forensic accounting practitioners, academics and lawyers, to identify the relevant traits, characteristics and skill-set essential an effective forensic accountant needs to possess. They found that being analytical, detail-oriented, ethical, responsive, and insightful are the top five essential traits for forensic accountants. Their results were further supported by other US studies (for example, Messmer 2004; Ramaswamy, 2005). Davis et al.’s (2009) study has also looked at the essential skills needed to be a forensic accountant in the UK; the study reported differences in the three group of respondents’ perception with regard to the (1) core

and (2) specialised skills-sets forensic accountants must possess. With regards to the core skills-set, attorneys perceived effective oral communication to be the most important core skill, reflecting the ability to express an opinion effectively in a court of law. CPAs, on the other hand, identified critical and strategic thinking as most important, with oral and written communication in second and third position, respectively. Academics agreed with CPAs that critical and strategic thinking was the prime skill, but rated auditing skills and investigative intuitiveness and ability as second and third. However, it has been widely reported in the forensic accounting literature that communication skills are considered one of the most critical skills that forensic accountants/expert witnesses need to possess (Wells, 2003, DiGabriele, 2009).

With regard to the specialised skills, Davis et al.'s (2009) study identified the ability to analyse and interpret financial statements and information as the most important enhanced skill. Among the other important enhanced skills identified in their study were testifying, interview skills, fraud detection, asset tracing, electronic discovery, knowledge of relevant professional standards, and, knowledge of rules of evidence and civil procedures. Other studies have also emphasised the importance of having a specialised skills-set (skills missing from the definitions presented in the previous section) in forensic accounting engagements. For example, Harris and Brown (2000) highlighted the importance of understanding courtroom procedures and being familiar with criminal and civil law; and Wells (2003) found that CPAs consider professional scepticism, communication skills, interview skills, investigative skills, a thorough understanding of the legal aspects of fraud, and solid auditing experience to be skills key to the success of the forensic accountant.

In contrast, Meservy, Romney & Zimbelman's (2006) study reported the importance of the non-technical skills over technical skills. The scholars surveyed 2000 Certified Fraud Examiners from the 16,000 ACFE (Association of Certified Fraud Examiners) members. It was found that Ethics (49%), oral communication (44%), written communication (42%), people and human relations (42%) and interviewing skills (39%) are considered to be the top five most critical skills.

While all of these studies have focused mainly on highlighting the perception of

forensic accounting practitioners in the US, KPMG UK (1992) looked at what solicitors across the UK sought as the prerequisite attributes in a forensic accountant/expert witness. It was found that among the most important skills are: a confident manner in the witness box and the ability to withstand cross examination (50%³), the ability to construct a clear concise report with no ‘accounting jargon’ (33%), speed of response (20%), understanding of the litigation process (19%), an ability to create and maintain good relationships (17%), accounting competence (11%), experience (11%) and the approach of the forensic accounting team (11%).

It is clear from these studies’ results that forensic accounting teams need to possess a wide range of skills encompassing both technical and non-technical abilities. However, it could be argued that there has been little emphasis on the importance of the accountancy/auditing knowledge (apart from the AICPA recommendation) by forensic accounting practitioners and solicitors/attorneys. This might be due to the shifted dynamic of forensic accounting, which has called for the specialised skills of other professional groups. This has already been reported by Williams’s (2002, 2005, 2006) studies of the Canadian forensic accounting market, where he reported that large accounting firms in Canada were actively recruiting non-accountants, such as lawyers, former police officers, private investigators and computer analysts. Those specialists “brought with them investigative and interviewing skills, a knowledge of criminal law and legal process, and access to police contacts and informational networks that was found essential to enhancement of the forensic accounting industry in Canada” (Williams, 2005: 322). Williams’s (2002) study concluded that this critical investigative expertise made forensic accounting less institutionalised towards the accountancy profession and open to competing forms of knowledge, skills and expertise from a variety of occupational groups more likely to possess those investigative abilities.

Williams’s (2002) conclusions reflect back to the sociology of professions literature’s emphasis on the importance of defining and redefining a professional group’s abstract knowledge system in order to (1) claim exclusive rights in certain professional work, (2) extend its professional expertise into various other professional areas and, most

³50% of the solicitors surveyed mentioned ‘performance in the witness box’ as a key attribute.

importantly (3) exclude other professional groups from claiming expertise into those specific areas of expertise, i.e. social closure strategy (as discussed in the next chapter). What has been suggested in the forensic accounting literature is that the forensic accounting practice is a dispersed area of expertise that requires the knowledge and expertise of different professional groups. Therefore, given that non-accountants are being brought into forensic accounting teams, what are the accounting profession's strategies for maintaining a competitive advantage over its rival competitors within the forensic accounting practice? How did the accounting profession legitimate the forensic accounting practice within its profession?

From what I have discovered in the forensic accounting literature, it is unclear how the accounting profession defined forensic accounting's abstract knowledge and how it was legitimated within the accounting profession domain. Part of my study contribution to investigate forensic accounting's abstract knowledge and the process of professionalisation using Abbott's (1988) theoretical framework. Therefore, to the best of my knowledge, this study will provide one of the first comprehensive accounts of the UK's forensic accounting practice, by investigating whether there is an evident growth in the forensic services- in terms of increase in quantity and diversity- provided by accounting firms in the UK, who are the main providers of these services. Who do they hire to provide a diversified lines of forensic accounting services? If non-accountants are active in the UK forensic accounting practice, how does this affect the accounting profession legitimisation techniques?

It is of critical importance to provide an overview of the accounting professional bodies' role in defining the forensic accounting abstract knowledge. Abbott (1988) argues that a profession's professional institutes defend and protect the rights of its members by issuing certifications, a code of ethics and training programmes. The next section explores the role of the accounting professional bodies in this process.

2.3.2 The Accounting Profession's Professional Bodies: Forensic Accounting Certification System

While this study focuses on the forensic accounting practice in the UK, it reviews the work done on the development of forensic accounting in different countries (such as US and Canada) due to the scattered account of the forensic accounting literature in

the UK. Therefore, I begin this section by looking at what accounting professional bodies in US, Canada and Australia did to legitimate the practice of forensic accounting, before comparing this with the efforts of professional bodies in the UK. As previously stated, the accounting profession in the UK is fragmented due to the existence of competition and rivalry between its six professional bodies throughout the history of their development (Cooper, Puxty, Robson & Willmott, 1994). This is expected to reflect on the process of forensic accounting's professionalisation in the UK, where I suspected that more than one certification would exist in the field, with competing training programmes to attract professional members. This, however, was not the case. Only the ICAEW took some steps towards acknowledging the importance of having a role in legitimating the forensic accounting practice by establishing a voluntary accreditation scheme. The competition in this context came from other professional institutes (such as the Academy of Experts and the Expert witness Institute). This notion is thoroughly investigated in my study and the analysis is presented in Chapter 6. The aim of this section is to present an overview of what accreditations are available for forensic accountants.

There are several professional designations available in the US, each of which has its own educational program (Brooks and Labelle, 2006). The AICPA recognises the demand for forensic accountants who have the appropriate professional knowledge, which is why it developed the Certified in Financial Forensics (CFF) designation and educational programme in 2008. This certification takes the current Certified Public Accountant (CPA) designation as its starting point and is designed to incorporate the broad scope of forensic accounting services. The Certified Fraud Examiner designation is another route for CPAs interested in a forensic accounting career. To be certified, CFEs must show evidence of practical forensic experience and pass a uniform examination covering the identification and investigation of fraud as well as criminology, legal parameters, and the ethics of fraud investigation (Carnes and Gierlasinski, 2001). The AICPA CFF and CFE accreditation was supported strongly by lawyers, CPAs and academics across the US (Davis et al, 2009).

Additionally, the AICPA has partnered with the ACFE to create a Forensic Accounting Specialist designation with a related continuing professional education program (WebCPA, 2007). Academic research conducted in the US provides

evidence of the evolution and continuous presence of forensic accounting education and training courses. They have expanded from their initial status as limited courses, to being continuing professional education sessions for practicing accountants, to their current position of being offered as a credit course by several universities. (Rezaee 2002; Crumbley 2001; Peterson and Reider 1999, 2001; Rezaee et al. 1996; Rezaee and Burton 1997). Therefore, it is evident that the accounting profession in the US is taking serious steps to legitimate forensic accounting practice, not only by creating its own professional accreditation but also by developing partnerships with other affiliates to encourage forensic accountants to join. This legitimization strategy has been widely explored in the sociology of professions literature (Larson, 1977; Parkin, 1979), where it has been argued that professional bodies are in a continuous state of acquiring control over new niches within the market in order to achieve social collective mobility.

The situation is, however, different in Canada, where a number of competing designations were made available to Chartered Accountants (the Canadian equivalent of CPA in the US). The CA designation is considered an essential requirement for any professional who wants to be known as a forensic accountant in Canada. However, to be an expert, one must pursue additional qualifications beyond the CA designation (Lawrence, 1998). As a first attempt, the Canadian Institute of Chartered Accountants (CICA) established a special interest group devoted to forensic and investigative accounting in 1992. This, however, was considered by accounting professionals to be an insufficient move by the institute; it was felt that a special accreditation should be on the agenda of the CICA. Lawrence's (1999:117) study provided an explanation for the dissatisfaction of accounting professionals with the institute's approach: *'one reason for a negative reaction from some accountants was the 'open door' policy that the CICA was initially instituting in its interest group. The lack of any membership barriers offered little promise of exclusivity. The group's membership policies were constructed in a manner consistent with the traditional conception of the Chartered Accountant as a general business advisory, rather than a specialist, with no membership requirement other than simple interest. Thus, for non-specialist CAs, the Interest group would facilitate entry into forensic accounting; rather than raising barriers to entry.'* What Lawrence (1999) describes here reflects the importance of the role that professional bodies are expected to play in legitimating

an area of expertise. In that sense, professional bodies are conceptualized as political bodies whose role is to defend the interests and protect the scarcity of their members (Willmott, 1986). Failure to execute this role will drive accounting professionals to seek exclusive membership somewhere else.

The Certified Fraud Examiner designation- authorised by the Canadian Region of the National Association of Certified Fraud Examiners- was a more specialised designation, requiring accountants to sit a series of examinations associated solely with fraud and investigative accounting. The NACFE is oriented toward both the establishment of a set of trained forensic examiners and the connection of their members to potential clients. This of course has encouraged many of the professional forensic accountants in Canada to become members of the NACFE (Lawrence, 1999). A third designation is the Chartered Business Valuator, whose alliance with forensic accounting is based on certain types of civil and criminal proceedings that require the assignment of value to an asset. This type of designation has attracted those professionals who want to signal to their clients their expertise in valuation assignments.

The situation in the Canadian forensic accounting community hints at the institutional struggles to privilege and protect ‘esoteric knowledge’, and provide a foundation of institutional legitimacy for its work. Lawrence (1999) suggests that this ambiguous environment explains why many of the accountants in Canada hold several different ancillary designations. Therefore, it could be argued that the existence of ‘weak, competing formal qualifications’ have eased the entry of any individual with a CA designation and an ancillary qualification or some specialised experience to claim the status of a forensic accounting expert.

Perhaps the competitive struggle reported in Canada mimics the situation in the UK, where the accounting profession faced competition from other independent institutes in attracting forensic accountants to join their institutes. Unlike in the US, where being accredited as an accountant by the AICPA does not give accountants the ‘green light’ to practise forensic accounting, chartered accountants in the UK definitely can. The experience and expertise of professional forensic accountants is considered more important than accreditations in the UK (AccountancyAge, 2006). However, the first

initiative towards defining Forensic Accounting practice in the UK was an attempt in 2009 by the Institute of Chartered Accountants of England and Wales (ICAEW) Forensic Special Interest Group (FSIG) (which had been formed as a support mechanism for members doing litigation and forensic work including training, publications and networking opportunities) to launch a voluntary accreditation scheme for forensic accountants and expert witnesses. The ICAEW proposed that this would, *'dominate the forensic accounting field in the UK'*, and would as such have a significant effect upon the development of forensic accounting. The chair of FSIG argues that the scheme *'gives the [ICAEW] the ability to set standards. In the wake of Lehman Brothers and Madoff, there is a massive demand for chartered accountants to do this work'* (ICAEW, 2010). In addition to the ICAEW's attempt to regulate the forensic accounting market, the institute attempted something similar with regard to its forensic accounting accreditation. The intention was to create entry boundaries into the field and prevent the less qualified individuals- 'cowboys' and 'dabblers'- from entering the field.

In December 2011, the ICAEW removed the expert witness element from this scheme, effectively identifying expert witnessing as a separate and distinct group. However, the link between the two was maintained by the relabeling of the Forensic Special Interest Group as the Forensic and Expert Witness Group (FEWG). Further emphasising its desire to maintain more than an interest in the expert witness activities of its members, the Institute launched a partnership with The Academy of Experts (TAE) with the goal of 'improving the scheme for members'. In addition to the support and guidance offered by ICAEW, TAE provided its members with a full range of services such as: internationally recognised professional status and credibility; access to information resources and an information helpline; access to technical meetings and a technical helpline; regular magazines and newsletters; and continuing professional development.

Returning to forensic accounting, so far as obtaining ICAEW forensic accountant accreditation is concerned, this principally depends upon forensic accounting professionals providing evidence of their expertise and experience in areas such as evidence gathering, interviewing and negotiation, commercial knowledge, understanding of law/regulation, management skills and written communication skills. Considering the easiness of approaching this designation, one would expect that large

numbers of forensic accountants in the UK would be keen to be accredited. However, when I looked through the ICAEW forensic accredited register, I only found 45 chartered accountants to be accredited, with a small presence for the Big Four forensic accountants⁴. ICAEW, nonetheless, attempted to use Big Four senior partners to market the accreditation. KPMG forensic chairman Kathryn Britten (2010), wrote “Anyone who is thinking of using forensic accountants or an expert witness should use only people who are accredited by a reputable body such as the ICAEW, because the consequences of not doing so can be both expensive and extremely damaging to the business as a whole.” According to AccountancyAge, (2006:107), Chartered Accountants were still not keen to sign up for membership in the scheme.

I was very interested to understand why chartered accountants in the UK were reluctant to approach the ICAEW’s accreditation. As far as the professionalisation process is concerned, attaining a professional qualification is a prerequisite for entry (Sian, 2006). This was not the case in the UK. One explanation for such reluctance could be the accounting profession culture in the UK, where Chartered Accountants are free to sell any service as long as they can provide evidence of their experience and expertise in providing that service. Therefore, it could be that Chartered Accountants in the UK did not see the need for this qualification. Another explanation could be the existence of other professional institutes which provide accounts with similar routes, but with particular emphasis on expert witness work. There are four expert witness organizations that exist in the UK, namely: the Academy of Experts, the Chamber of Experts, the Expert Witness Institute and the Society of Expert Witnesses, each of which have their own membership and accreditation scheme. However, what differentiates them from the ICAEW is their strong connections with the legal profession, providing forensic accountants with a large base of potential clients (Lawrence, 1999). However, those assumptions need further investigation before jumping to any conclusions and therefore are thoroughly examined in my study.

In this section, I have outlined the current role of professional bodies in legitimating the forensic accounting practice, where it can be seen that the forensic accounting

⁴For more information, please visit

http://apps.icaew.com/index.cfm/route/170505/icaew_ga/en/Qualifications/Specialist_qualifications_and_programmes/Forensic_Accountant_and_Expert_Witness_Accreditation/Register_of_forensic_specialists/Forensic_register

practice in the US is clearly regulated by professional membership rules. The AICPA has been operating a system of social closure by formulating its entry boundaries (Larson, 1977; Weber, 1947). Those who have successfully passed the required training and professional requirements for being forensic accountants are allowed admission and permitted to practice in the field. Those who have not are excluded. In the UK, the situation is still unclear and one of the contributions of my study is to define the role of professional bodies in the UK in this process of legitimating the forensic accounting practice.

The aim of the next section is to look at the sites where forensic accounting work takes place (i.e. the main providers of forensic accounting work). It has been argued in the accounting literature that while those firms play a significant role in regulating the accounting market, they are overlooked in accounting research (Cooper and Robson, 2006). The next section provides an overview of the structure of those firms. This will largely consider the notion of the increasing importance of non-accountants skills in the forensic accounting market.

2.4 The Present Day Forensic and Investigative Accounting Service Providers: The Three Tier Firms

Three tier firms dominate the forensic accounting workplace. The first tier is occupied by the operations of the Big Four accounting firms' forensic accounting units, which are, PriceWaterhouseCoopers, Deloitte, KPMG, Ernst & Young. Those full-service accounting firms combine their core accounting function with risk management and investigative services to provide a wide array of forensic accounting services. Williams (2005) argues that the operations of the Big Four firms are the first to claim a professional status in the forensic accounting market and continue to dominate the field.

These first tier firms are populated primarily by accountants and auditors that are trained to become forensic accounting investigators. They also employ various other professionals who have conducted investigations in virtually every industry. Large accounting firms offer a broad spectrum of services including the investigation of various forms of business disputes and financial losses as well as the calculation and

valuation of disputed or lost assets for the purpose of either formal legal proceedings or informal settlements.

Given the extraordinary costs involved in these engagements, the clients of these first-tier firms tend to be large corporations who engage forensic accountants either directly or, as is more typically the case, indirectly through corporate law firms. Although cost is the biggest drawback to hiring first tier firms, companies find it prudent to access that richer pool of expertise, due to their enormous resources, vast industry experience, networking abilities and well-recognised expertise. Another major client of these tier firms is the public sector entities (such as Serious Fraud office, HRMC) who to a large extent lack qualified staff in their own in-house investigative units.

The first tier firms have both national and international operations, with global resources that can be quickly mobilized to put an engagement team in place. Such firms do this type of work day after day (Golden et al., 2006). Stenning (2000: 328) stated: “[I]t is now almost impossible to identify any function or responsibility of the public police which is not, somewhere and under some circumstances, assumed and performed by private police in democratic societies.’

These first tier firms have seen a marked broadening of their service lines from a largely reactive and interventionist posture to one that is far more proactive in nature and geared to the management of various financial risks (Williams, 2006). For example, KPMG UK Forensic offer new models of proactive asset recovery where the modes of delivery include: outsourcing major civil recovery cases to the private sector (a three-way partnership between the private sector (KPMG), the prosecutor, and the referring legal agency in large, complex cases “where law enforcement agencies are unlikely or unable to pursue”), joint ventures with law enforcement (a public-private partnership which operates as a joint team from the private sector with the structures of the National Crime Agency or Economic Crime Agency, where the team can maintain strong linkages to existing law enforcement efforts whilst drawing on additional forensic, litigation and technical capability to tackle complex, top end cases) and a new private sector led agency (under this option asset recovery would be outsourced to the private sector. The agency would be supported by law enforcement

powers and capabilities and operate in collaboration with, yet independently of, existing governance structures) (KPMG, 2011).

The second tier of the IFA industry is composed of corporate investigation firms (which are known as specialist forensic boutiques). These firms compete directly with the first tier firms in terms of their range of services and scope of operations. Second-tier firms market themselves to large and medium-sized corporations, as well as law firms, as a more cost effective alternative. The third tier firms include a range of smaller investigative firms which provide more specialised investigative services to the larger forensic accounting and corporate investigation firms on a contractual basis. Many of the smaller firms' personnel, who may have worked previously in larger firms, tend to be private investigative specialists. Although many small forensic accounting firms are judged to be less expensive than the larger firms, they tend to have a smaller presence across the United Kingdom and may have limited or non-existent access to international resources. These issues are, of course, factors in the selection process of forensic accountants (Golden et al., 2006).

The next section will explore the range of forensic and investigative accounting services which these three tiers of firms are practicing internationally.

2.5 What do forensic accountants do?

“You cannot be an expert in today’s world of complex litigation and constantly changing rules without knowing exactly what your role is and how to effectively execute that role” (David Elzinga, Partner in Grant Thornton Canada, at the CICA 2010 forensic accounting conference)

Some believe that all forensic accountants perform fraud detection and investigation. In reality, forensic accountants offer a wide range of services. These can range from business and asset valuation in commercial disputes, to calculation of economic loss in breach of contract claims, to calculation of loss of goodwill in breach of duty or tort action; to expressing an opinion with regard to losses resulting from interruption of business in an insurance action; to investigation of shareholder and partnership disputes; to product liability fraud and any other form of fraud and financial crime

investigations; to the provision of advice to legal counsel in support of formal civil litigation and/or criminal prosecution, to the actual delivery of testimony as an expert witness.

However, one should not assume that a forensic accountant involved in commercial dispute projects is qualified to perform financial crime investigations. Close attention should be given to the individual's qualifications – including certifications and experience - before deciding on the right forensic accountant for the task at hand. Assuming that all forensic accountants are interchangeably capable of executing all forensic accounting investigation engagements would be analogous to assuming that all certified public accountants are qualified to prepare tax returns (Golden et al., 2006). Thus, it is important to provide an appropriate classification of the different branches of the forensic accounting practice to be able to investigate which areas the accounting profession can claim expertise in.

According to AICPA FLS (Forensic and Litigation Services) committee, forensic accounting services consist of (1) litigation services and (2) investigative services.

Litigation services entail the role of the forensic specialist as an expert or consultant and consist of providing assistance for actual, pending, or potential legal or regulatory proceedings before a trier of fact ⁵ in connection with the resolution of disputes between parties. Litigation services consist of one or more of the following services:

(a) *Expert witness services* are litigation services in which an expert is designated to render an opinion before a Trier of Fact as to the matter(s) in dispute. According to the Australian Accounting and Ethical Standards Board (APESB, 2009) an expert witness ‘*gives expert evidence to the court based on the expert’s specialised training, study or experience in a form of report or, in certain circumstances, orally*’ (APESB, 2009:3).

Expert witnesses testify on tax matters, insurance litigation claims, divorce, equitable property settlements, contractual disputes, bankruptcy, commercial damages, professional negligence and generally accepted accounting and auditing standards litigation issues (Durkin and Ueltzen, 2009; Winch, 2007; Durtschi, 2003; Harris and

⁵A *trier of fact* is a court, regulatory body, or government authority; their agents; a grand jury; or an arbitrator or mediator of the dispute.

Brown, 2000; Wagner and MacFarlane, 1992). Hubert (2004) found that rendered expert witnesses services in Canada between 2000 and 2004 could be described as:

- business or other asset valuations (33 per cent);
- loss quantification (26 per cent);
- financial investigation (28 per cent); and,
- financial advisor/court expert (13 per cent).

In most forensic accounting investigations there is no need to provide expert witness testimony. The forensic accounting investigator may, however, be asked to testify as a fact (lay) witness, where he is expected to provide “*professional evidence on matters within the expert’s professional knowledge that are directly observed or perceived by the expert in the context of proceedings whether orally, in the form of a report, or both*” (APESB, 2009:3). As indicated earlier, the forensic accounting investigator is principally a fact finder and reports such facts in a straightforward manner so that others - judge, jury, audit committee, board of creditors, or other interested parties - can interpret those facts and make determinations as to their implications, including compliance with laws and regulations (Golden et al., 2006).

(b) *Consulting services* are those litigation services in which a member provides advice about the facts, issues, and strategy of a matter. The consultant does not testify as an expert witness before a Trier of Fact unless the consultant’s role subsequently changes to that of an expert witness at a later date (AICPA, 2003:1).

Forensic accountants may act as consultants on issues such as product liability, commercial contract claims, patent trademark, copyright infringement; mergers and acquisitions; insurance claims, reorganization; and toxic tort⁶ claims (Epstein and Spalding, 1993). Hanson, Rockness and Woodard (1985) noted that when forensic accountants are heavily involved in litigation-consulting engagements, interpreting financial information and assisting in trial preparation are the most common duties they perform.

(c) *Other services* are litigation services in which a member serves as a Trier of Fact, special master, court-appointed expert, referee, arbitrator, or mediator on behalf of a client.

⁶Toxic tort claim is a legal claim for a particular type of personal injury, where a harm was caused due to exposure to a dangerous substance, see (<http://www.nolo.com/legal-encyclopedia/toxic-torts-overview-32204.html>) for further explanation.

Investigative services or non-litigation services include all forensic services not involving actual or threatened litigation, such as performing analysis or investigations, that may require the same skills as used in litigation services, but do not involve the litigation process (AICPA, 2003:1).

It may involve one or more of the following services: investigation of criminal matters such as deterring, detecting and reporting financial fraud, investment fraud, kickbacks and commercial bribery, bank fraud, credit card fraud, electronic funds, transfer fraud, and computer fraud; and involves making fraud vulnerability assessments and assessing compliance with applicable laws and regulation (Messmer, 2004). It may also be preventative; looking for weaknesses in systems before any criminal activities take place.

While there is some overlap between these two categories, the fundamental difference between the two stems from the nature of the problem targeted, the discipline and expertise applied and the level of sophistication involved in the forensic work.

In an attempt to understand which forensic accounting areas forensic accountants in the UK are heavily involved in, KPMG (1991) surveyed 50 law firms (selected randomly from 'Legal 500') about the specialist where forensic accountants' services are used. The survey found that, within the top 20 sample, forensic accountants were heavily used in fraud cases. In the profession as a whole, forensic accountants were most frequently used in:

- Professional negligence (50%)
- General commercial litigation (49%)
- Personal injury (49%)
- Insurance claims (30%)
- Property and construction disputes (23%)
- Banking (19%)
- Family/Matrimonial (17%)
- Intellectual Property (17%)

While this overview provides a descriptive account of the categories of services provided in the forensic accounting market, it does not classify the forensic accounting services that the accounting profession was successful in legitimating into

its professional area of expertise. It is also rather unclear which areas of expertise were in the most demand and which accounting profession strategies were used to respond to such demands. Abbott's (1988) theoretical framework suggests that for a professional group to claim a strong professional stance in a professional area, it must convince its public audience of its capability and proficiency in this area of expertise. In my view, this is what is missing from the forensic accounting literature: the connection between those descriptive notions of forensic accounting activities and how an area of work can be professionalised to provide those activities. The forensic accounting literature failed to track why those specific areas became the main areas of expertise in the forensic accounting market. This is where my thesis can contribute to the literature.

Obviously the range and breadth of practices forensic accountants get involved in is quite complex; entry-level forensic accountants would need further guidance on how to engage, objectively and independently, in such practices. Professional bodies across the developed nations have developed and provided their members with such guidance and training. However, the UK has adopted a different, loose approach, which will be the focus of the next section.

2.6 Professional Investigative and Forensic Accounting Standards: its absence from the UK forensic model

This section discusses how professional bodies in the US, Canada and Australia have quickly established a regulatory environment for the forensic accounting practice, whereas in the UK, forensic accounting is practised in a loose regulatory environment. This certainly raises questions about the UK accounting profession's approach to creating exclusive rights in the forensic accounting market. The formation of professional standards not only acts as an important shield against any attack on the ethical requirements of a professional group, but is also essential to assisting professional members with their work. Understanding why the UK accounting profession was reluctant to issue such guidelines is a focal point for this study.

In the US, forensic accounting and litigation support services are categorised as consulting services provided by CPAs firms and their employees, and therefore, adherence to the Statements on Standards for Consulting Services (SSCS) is required. Nevertheless, CPAs engaged in litigation services must also comply with the general

standards of the accounting profession contained in the AICPA Code of Professional Conduct, as well as relevant standards established by the state boards of accountancy or other licensing agencies and by other professional organizations to which the practitioner may belong.

Since 1991, the AICPA has provided guidance on the existing professional standards and the related responsibilities that affect the litigation service practitioner; and guidance on professional and ethical issues when providing litigation support services. In 2004, the AICPA FVS Committee issued a discussion paper entitled *Forensic Services, Audits & Corporate Governance: Bridging the Gap* (2004 Discussion Memorandum). The 2004 Discussion Memorandum explored a number of questions about the use of forensic procedures and forensic specialists in the audit process.

After consideration of comments received and written submissions on the Discussion Memorandum, the AICPA FLS Committee concluded that there is a lack of understanding about how forensic procedures and forensic specialists can be utilised. As a result, the AICPA FVS Section worked on producing some practical aids and other non-authoritative guidance, summarised in table 2.1, as a source of educational and reference material on technical matters to CPAs involved in providing forensic accounting services.

Further, the Association of Certified Fraud Examiners (ACFE) issued professional standards in 1991 to facilitate certified fraud examiners in their engagements comprising both general and specific standards relating to independence and objectivity, qualifications, due professional care in fraud examination, and confidentiality (Colbert, 2006).

In Canada, Lawrence (1998:1113), interviewing forensic accountants, pointed to the informal status of forensic accounting practice standards which, at that time, 'focused largely on inductive reasoning and presentation style'. Interviewees suggested that if effective standards were put in place, it might help 'improve training, improve the quality of the product that is out there as forensic accounting'.

As a result, the Canadian Institute of Chartered Accountants (CICA) created a study group with the remit to develop a framework for forensic accounting which highlighted the importance of establishing general professional standards applicable to all forensic accounting engagements and then gradually established a more detailed

set of standards relating to specific areas of forensic accounting to provide guidance tailored to these areas (Oberholzer, 2002).

In creating standards for this work, the CICA's goal was to ensure that all its members who perform investigative and forensic accounting (IFA) work conform to specific criteria concerning professional skills, engagement performance and report preparation. This initiative resulted in the Canadian Alliance for Excellence in Investigative and Forensic Accounting (IFA Alliance) introducing *Standard Practices for Investigative and Forensic Accounting Engagements* in 2006. The guidelines cover seven sections, which are: definition and application of IFA standard practices, engagement acceptance, planning & scope of work, information collection & analysis, file documentation (CICA, 2006).

In 2008, the Australian Accounting Professional and Ethical Standard Board (APESB), which had been created in 2006, also issued its own standards – APES 215 (*Forensic accounting services*) and APES 225 (*Valuation services*). These must be adhered to by forensic accountants who are members of CPA Australia, the Institute of Chartered Accountants in Australia, and the National Institute of Accountants – a truly national venture compared to the single professional body initiatives in the US and Canada. These standards include mandatory requirements and guidance for forensic accounting services with respect to public interest, professional independence, professional competence and due care, confidentiality, professional engagement matters, expert witness services, false or misleading information and changes in opinion, quality control and professional fees (KordaMentha, 2009).

In the UK, as indicated earlier, a different approach has been adopted; one in which, echoing Abbott (1988), licensure has been prioritised over the development of codes of regulation. The first initiative in this direction was an attempt in 2009 to define Forensic Accounting practice through the Institute of Chartered Accountants of England and Wales (ICAEW) Forensic Special Interest Group (FSIG) (which had been formed as a support mechanism for members doing litigation and forensic work including training, publications and networking opportunities) by launching a voluntary accreditation scheme for forensic accountants and expert witnesses. In addition to the accreditation development, the FSIG maintains an online register of

contact details for members working in each of these specialism⁷, sends a newsletter to its members, provide online help sheets on different areas of development in the forensic accounting practice and most recently forensic accounting conferences and training courses and webinars. But, as mentioned previously, no standards, or guidance, or disciplinary procedures relating to forensic accounting have been developed to date in the UK. The emphasis in the UK has, therefore, been upon promoting and marketing the importance of the accreditation scheme, rather than upon defining and governing forensic accounting practice.

This could imply that the ICAEW has developed a loose framework, one that does not appreciate the complexities of forensic accounting practices. Without proposed standards and a definition of forensic accounting, what is the ICAEW approach to legitimating the practice of forensic accounting and achieving recognised authority over its practice? Why is the institute reluctant to establish any forensic accounting standards? Is it because of their lack of expertise in this area or is it due to the fragmented nature of forensic accounting? And more importantly, what is the impact of this loose-regulatory nature of the forensic accounting practice in the UK on the quality of the forensic accounting services provided? Within the loose-regulatory environment in which the forensic accounting services are practiced in the UK, it is also questionable who is present to judge when poor quality forensic accounting services are delivered? These issues are widely investigated in this study.

The next section will discuss this issue further by looking into the current regulative system with regard to what forensic accounting practices the accounting firms are allowed to provide to their audit clients.

⁷The 12 branches of forensic accounting identified by the ICAEW FSIG are: commercial disputes, criminal defence, digital forensics, expert determination, fraud/regulatory investigations, insurance claims, matrimonial investigations and valuations, personal injury, professional negligence, tax investigations, valuations for litigation purposes and expert witness.

Table 2.1 AICPA FVS Committee Practical Aid and Non-Authoritative Guidance

Practical Aids	
Title	Summary
FVS Practical Aid Serving as an Expert Witness or Consultant	This Practice Aid provides the forensic accounting practitioner with non-authoritative guidance when serving as an expert witness or consultant for litigation and dispute service engagements. This Practice Aid supersedes AICPA Consulting Services Practice Aid 93-4, <i>Providing Litigation Services</i> .
FVS Practice Aid 07-1: Forensic Accounting: Fraud Investigation	This Practice Aid discusses the CPA's responsibilities, opportunities, and assignments in fraud related matters.
FVS Practice Aid 06-4: Calculation Lost Profits	This Practice Aid discusses roles the practitioner may be asked to take in a lost profits damage analysis, the professional standards applicable to those services, and the basic principles and guidelines for preparing lost profit damages analyses.
FVS Practice Aid 06-3: Analyzing Financial Ratios	This Practice Aid illustrates the use of financial ratio analysis techniques in a comparative analysis of a client organization with other appropriate organizations. The financial ratio analysis techniques described in the practice aid can be useful in many types of client engagements.
FVS Practice Aid 06-2: Preparing Financial Models	This Practice Aid specifically addresses <i>financial models</i> and the various purposes of financial modeling. This Practice Aid supersedes FVS Practice Aid 92-6.
FVS Practice Aid 06-1: Calculating Intellectual Property Infringement Damages	This Practice Aid provides guidance to practitioners with business and/or litigation experience concerning intellectual property rights and calculating damages for infringements thereof. This Practice Aid focuses on theoretical, legal, economic and accounting foundations of intellectual property and methodologies commonly employed in the calculation of damages.
FVS Practice Aid 05-1: A CPAs guide to Family Law Services	This Practice Aid is designed to assist practitioners in providing services to clients and attorneys in the area of family law.
FVS Practice Aid 04-1: Engagement Letters for Litigation Services	This Practice Aid is intended to provide guidance to CPAs for drafting engagement letters to attorneys and their clients.
FVS Practice Aid 96-3: Communication in Litigation Services: Reports	The communication requirement in the SSCS No. 1 is relatively broad and does not provide specific guidance to the CPA for satisfying this requirement. Practitioners may communicate concerns about conflicts of interest, serious reservations, or significant engagement findings and events to the client either orally or in writing. This practice aid identifies several typical oral and written communication forms used by practitioners, but its primary emphasis is on the written expert report signed by the CPA.
Special Reports	
FVS Special Report 09-1: Introduction to Civil Litigation Services	This Special Report is focused on the provision of certain services by the practitioner in connection with civil matters litigated in the federal court system of the United States of America, although certain material may also be applicable to state and local courts, alternative dispute resolution, and international litigation. However, practitioners are cautioned that civil litigation laws, rules, and procedures may vary widely, and they are encouraged to consult with legal counsel about laws and local court requirements that may affect the material contained in this special report.
FVS Special Report 08-1: Independence, Integrity & Objectivity	This Special Report provides guidance with respect to ethical issues possibly affecting a forensic accounting or valuation engagement.
AICPA Consulting Services Special Report 03-1: Litigation Services and Applicable Professional Standards	This Special Report provides practitioners with guidance on the existing professional standards and responsibilities that affect the litigation services practitioner.
FVS Special Report: Forensic Procedures and Specialists: Useful Tools and Techniques	This Special Report defines the most widely recognized procedures used by forensic specialists.
Whitepapers	
Whitepaper: Conducting Effective Interviews	Forensic accountants frequently are asked to help attorneys, boards of directors, management, regulators, law enforcement and others to determine the facts surrounding complex financial matters. This whitepaper will focus on the interview skills necessary to carry out a forensic investigation.
Whitepaper: Managing the Business Risk of Fraud	This whitepaper recommends ways in which boards, senior management, and internal auditors can fight fraud in their organization. Specifically, it provides credible guidance from leading professional organizations that defines principles and theories for fraud risk management and describes how organizations of various sizes and types can establish their own fraud risk management program.
Whitepaper: Characteristics and Skills of Forensic Accountant	Want to learn what traits and skills attorneys, other CPAs, and accounting/auditing professors view as essential for forensic accountants? This white paper reveals the results of a recent research study designed to gain a clearer understanding of the essential traits and characteristics and core skills that forensic accountants are expected to possess for the varied investigative matters for which they are retained.

Source: AICPA⁸⁸For more details, visit
<http://www.aicpa.org/INTERESTAREAS/FORENSICANDVALUATION/RESOURCES/PRACTAIDSGUIDANCE/Pages/default.aspx>

2.7 Auditor Independence and Forensic Accounting Services: the undefined boundaries between auditing and consulting

Under the current UK independence rules certain work for an audit client is prohibited, such as anything that would involve auditing one's own work, acting in a management capacity or acting as an advocate for an audit client. However, accounting firms are generally free to offer consultancy services to their audit clients.

A recent report entitled '*Auditors: Market concentration and their role*', published in March 2011 by the Authority of House of Lords as a response to the European Commission 2010 Green Paper '*Audit policy: Lessons from the crisis*' has pointed to a case where PWC, the largest accounting firm, received £700,000 in 2006 in consultancy income from their audit client Northern Rock as an apparent conflict of interest (House of Lords Report, para. 80, 2010). However, in paragraph 87 of the Report the House of Lords stated:

"We are not convinced that a complete ban on audit firms carrying out non audit work for clients whose accounts they audit is justified. But we recommend that a firm's external auditors should be banned from providing internal audit, tax advisory services and advice to the risk committee for that firm. We also recommend that the Office of Fair Trading should examine whether any other services should be banned from being carried out by a firm's external auditors"(p.25)

These conclusions are the results of long-lobbying attempts made by the professional services providers against criticism that Non-Audit Services (hereafter, NAS) undermine independence, insisting that their ethical stance while providing expert services is crucially important to their existence (Beattie and Fearnley, 2002). The Big Four, for example, in response to the EC Green paper, claimed "that any such provision [prohibition of NAS] would weaken the general economic independence of audit firms and the range of skills they can offer"⁹ (p.18).

As outlined in the first section of this chapter, forensic accounting and litigation support services are very broad and may involve considerable amounts of valuations,

⁹Summary of Responses to EC Green Paper Audit Policy: Lessons from the Crisis issued in February 2011 can be found in http://ec.europa.eu/internal_market/consultations/docs/2010/audit/summary_responses_en.pdf

consultation and expert witnessing services. In the Auditing Practice Board (hereafter, APB) Ethical Standard 5 '*Non-audit services provided to audited entities*' litigation support services are listed among non-audit services. The UK regulatory frameworks and auditing standards did acknowledge a certain level of prohibition on the provision of litigation support services (not on the investigative services) by the audit firms to their audit client. These services are generally allowed if their commission does not involve a highly subjective estimation of matters material to the financial statement. However, with regard to forensic investigative services, only a few are enlisted in the standard as 'transaction-related services', among them 'due diligence' investigations, investigations into the tax affairs of possible acquisitions or disposals' with no further consideration of other forensic investigative services.

Given this unclearness in the ES 5 standard, it could be argued that UK regulatory frameworks failed to clarify which forensic accounting and litigation support services are/ should be prohibited, what level of 'threat' was involved in provision, and 'safeguards' to address them. Such guidance should be provided either through auditing standards, or more efficiently, through a standard for the forensic accounting practice that the UK lacks.

One of the objectives of this research is to investigate the perception of forensic accounting practitioners with regard to what forensic accounting services would impair audit independence, what factors are considered before accepting a forensic accounting engagement from an audit client and what rules and regulations impact their decisions. Those findings will be very useful for UK regulators to consider.

The next section concerns the legislation, codes and regulations in the UK that currently govern the critical issue of auditor independence and objectivity with regard to the provision of forensic accounting services by audit firms, beyond the scope of audit, to their audit clients. A comparison of the UK regulation with the US rule-based approach is also presented. This analysis will lead to an assessment of the probable effectiveness of audit independence regulation, questioning whether the current regulation of auditor independence with regard to the provision of forensic accounting services is effective.

2.7.1 Scenario one: Maintain your independence with the ‘threats and safeguards’ approach

‘When an expert is called my hopes are always high that I am about to reach an oasis of truth in a desert of half truths, evasions and downright lies. Often my hopes are realised, but sometimes I fear they are dashed to the ground’. [Lord Justice Murray at the BAE Conference 1991¹⁰.]

There are many reasons why a firm’s directors or its audit committee decide to bring in a team of forensic accounting specialists from the external audit firm, especially when they want to find answers fast, such as in the following circumstances:

- when an audit committee is made aware of indicia of fraud;
- a whistleblower allegation;
- a violation of internal policy or procedure;
- auditors were first to detect a suspected fraud, and are therefore well placed to conduct forensic accounting investigative work assuming that they utilize professionals specially trained for such work;
- the firm is already familiar with the external audit firm reputation, experience or expertise;
- the audit firm already have access to information ;
- because of cost savings that may arise when both types of services are provided by the same firm;
- or most often, as discussed earlier, when the firm does not have better options concerning the three tier firms (as discussed in section 2.1.3) especially when investigations are to be carried on in a global context.

The external audit firm, on the other hand, may have several concerns, including whether the investigation team can conduct an investigation of adequate scope, whether the audit team are sufficiently trained and experienced to conduct standalone investigations, whether the situation requires retaining a special forensic investigation team from the audit firm, even whether the investigation will bring into question the quality of past audits and, principally, whether issues of independence and conflict of interest within the audit firm may arise (Golden et al., 2006).

Independence rules and ethical standards have been designed to avoid the appearance as well as the reality of impaired independence. The following section illustrates the different independence rules and ethical standards standpoints with regard to the joint provision of forensic accounting & litigation support services and audit services to the

¹⁰As cited in Hobbs 1992

audit client, starting with the US SEC and AICPA ethical standards and concluding with the UK regulation and APB ethical standards.

2.8 Regulation of audit independence and forensic accounting & litigation support services: Current regulatory frameworks

2.8.1 The US “rule-based” approach

The Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board (PCAOB) and the American Institute of Certified Public Accountants (AICPA) Professional Code of Ethics set forth independence rules governing relationships with companies for which CPAs provide attest and certain other services. The rules are quite stringent and cover in detail the prohibited relationships, and adhering to them has become a matter of course at accounting firms serving companies registered with the SEC.

Under the US ‘rules-based’ accounting regime- SOX Rule 2-01(c)(4)(x) and SEC 10A-2, it is unlawful for an accountant to provide *‘expert opinions or other services to an audit client, or be a legal representative of an audit client, for the purpose of advocating that audit client's interests in litigation, regulatory, or administrative investigations or proceedings.’* (Golden *et al.*, 2006: 24). The prohibition extends to working behind the scenes to provide assistance and expertise educating the audit client’s legal counsel in connection with a litigation, proceeding, or investigation.

Although auditors are prohibited from providing expert services in the US under both the law and the Securities and Exchange Commission (SEC) rules, this does not preclude the auditing firm from enlisting its own forensic investigators to: (1) extend their audit procedures, in essence conducting a separate investigation into the allegations; (2) "shadow" the audit client's independent legal counsel and retained outside forensic accounting investigators, if engaged; or (3) perform some combination of the two.

The audit firms’ forensic investigators are permitted to provide certain forensic accounting investigative services, such as: investigations of suspected illegal acts at the request of the audit committee; investigations aiding management to carry out its corporate governance responsibilities; or, investigations aiding the audit team to satisfy its responsibilities pursuant to GAAS and Section 10A of the Exchange Act.

All forensic accounting activities conducted by the auditing firm **must be** under circumstances *not* involving litigation or regulatory proceedings (such as, investigations conducted by the Department of Justice or the SEC's Division of Enforcement, or other governmental investigation¹¹). An excerpt from the SEC's ruling in this regard is as follows:

"We recognize that auditors have obligations under Section 10A of the Exchange Act and GAAS [generally accepted auditing standards] to search for fraud that is material to an issuer's financial statements and to make sure the audit committee and others are informed of their findings. Auditors should conduct these procedures whether they become aware of a potential illegal act as a result of audit, review or attestation procedures they have performed or as a result of the audit committee expressing concerns about a part of the company's operations or compliance with the company's financial reporting system. In these situations, we believe that the auditor may conduct the procedures, with the approval of the audit committee, and provide the reports that the auditor deems appropriate. . . . Should litigation arise or an investigation commence during the time period that the auditors are conducting such procedures, it is permitted for the auditor to complete the procedures under way, so long as the auditor remains in control of his or her work and that work does not become subject to the direction or influence of legal counsel for the issuer.. . . an accountant's independence will not be deemed to be impaired if, in an investigation or proceeding, an accountant provides factual accounts or testimony describing work it performed. Further, an accountant's independence will not be deemed to be impaired if an accountant explains the positions taken or conclusions reached during the performance of any service provided by the accountant for the audit client."
(as cited in Golden *et al.*, 2006: 88)

Additionally, in its Code of Professional Conduct, the AICPA has established guidance on independence under Ethics Interpretation No.101-3, *Performance of non-attest services*, Rule 101: Independence. The guidance addresses the implications of providing non-attest services - including but not limited to forensic accounting or valuation services - to attest clients for a member's independence and should be followed to the extent that Ethics Interpretation No.101-3 is applicable to the practitioner.

According to the guidelines a member could provide (1) litigation consulting services, in which the member will not testify as an expert, (2) investigative services not involving

¹¹This ruling is due to a direct conflict between legal and accounting ethical requirements: lawyers are required to be advocates for their clients, while accountants performing audit functions are required to act independently. Were an auditor to be engaged by a lawyer on behalf of an audit client, the auditor would enter into a relationship that is incompatible with the SEC's independence rules. Once there is an 'inquiry' into a regulatory body there can be no forensic accounting services provided for the company by the auditor because such services may be perceived to be expert services, unless of course the services were begun before the inquiry occurred (Golden *et al.*, 2006).

actual or threatened litigation and, (3) valuation services, in which the results are not material to the financial statement or do not involve a significant degree of subjectivity. A US auditing firm's forensic accounting investigators are, therefore, required not to cross the line dividing the permitted, expanded audit scope from prohibited expert services. Table 2.2 summarises which forensic accounting services and fact-finding engagements are prohibited under the AICPA Ethics Interpretation and which are allowed.

Table 2. 2 Forensic Accounting Services in the US: Prohibited and Allowed

Types of service	Designation	Independence Would Be Impaired	Independence Would Not Be Impaired	Circumstances Dictate
Litigation	Expert Consulting Other	✓	✓	✓
Valuation				✓
Investigative	Non-litigation		✓	
Investigative	Attest		✓	

Source: AICPA Special Report 08-1 *Independence, Integrity and Objectivity in performing Forensic and Valuation Services* (P. 3)

2.8.2 The UK “Threats and Safeguard Approach”

In contrast to the US rules-based system, the ‘principles-based’ accounting regime in the UK has two facets relevant to this issue. Since 1992, listed companies have been required to disclose in their annual report the amount of their non-audit services fees; however, they are not required to disclose the nature of the service provided (Fearnley and Beattie, 2004).

Recently, however, this has changed. A breakdown of the nature of non-audit services received was introduced by the UK “Companies (Disclosure of Audit Remuneration and Liability Limitation Agreement) Regulations 2008”. According to the APB consultation paper (2009:19) companies are required to disclose in the notes to the annual accounts the remuneration paid to a company’s auditors for non-audit services split between:

- (a) any remuneration receivable by the company’s auditors for the auditing of the accounts, and
- (b) any remuneration for the supply of other services to the company or its associates. Information on other services must be disclosed according to the categories of non-audit services outlined in the Ethical Standard 5¹².

¹²The APB Ethical Standard 5 categorise non-audit services as (i) the auditing of accounts of associates of the company pursuant to legislation (ii) other services supplied pursuant to such legislation (iii) other services relating to

However, there is some evidence that companies are facing some difficulties in determining which services need to be disclosed under the different categories leading to considerable misinterpretations (APB, consultation paper, 2009:19, ICAS WP, 2010:23).

From an audit perspective, the so called ‘threats and safeguards’ approach to which all the UK registered auditing firms must adhere, requires auditors to assess whether an engagement gives rise to threats against their independence and, if so, whether those threats could be addressed by putting in place particular safeguards (APB, 2009)¹³. The Auditing Practice Standard 5 (*non-audit services*) identified four threats as summarised in Table 2.3.

taxation. (iv) services relating to information technology (v) internal audit services (vi) valuation and actuarial services (vii) services relating to litigation (viii) services relating to recruitment and remuneration (ix) services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the company or any of its associates (x) all other services.

¹³Similar to the UK approach, European Commission (EC), International Federation of Accountants (IFAC) and Australia adopt a principle-based approach by identifying threats to independence and the safeguards which can protect against or minimise the threats.

Table 2. 3 Threats to audit independence

<i>Self-interest threat</i>	the statutory auditor's independence may be threatened by a financial or other self-interest conflict (e.g. direct or indirect financial interest in the client, over-dependence on the client's audit or non-audit fees, the desire to collect outstanding fees, fear of losing the client)
<i>Self-review threat</i>	relates to the difficulty of maintaining objectivity in conducting self-review procedures (e.g. when taking decisions, or taking part in decisions, that should be taken wholly by the audit client's management; or when any product or judgment of a previous audit or non-audit assignment performed by the statutory auditor or his firm needs to be challenged or reevaluated to reach a conclusion on the current audit)
<i>Advocacy threat</i>	the statutory auditor's independence may be threatened if the statutory auditor becomes an advocate for, or against, his client's position in any adversarial proceedings or situations (e.g. dealing in or promoting shares or securities in the client; acting as an advocate on behalf of the client in litigation; when the client litigates against the auditor)
<i>Management threat</i>	a risk that the statutory auditor may be over influenced by the client's personality and qualities, and consequently become too sympathetic to the client's interest through, for example, too long and too close relationships with client personnel, which may result in excessive trust in the client and insufficient objective testing of his representations

However, firms may provide non-assurance services - including but not limited to forensic accounting services - beyond the assurance engagement to assurance clients provided that any threats to independence have been reduced to an acceptable level. In situations where the threats are high and no safeguards can address those threats, the audit firm should refrain from providing non-attestation services to attestation clients. The safeguards outlined below are considered appropriate to reduce threats to an acceptable level (ICAEW Code of Ethics, Para. 290.162.163):

- Policies and procedures to prohibit professional staff from making management decisions for the assurance client or assuming responsibility for such decisions.
- Discussing independence issues related to the provision of non-assurance services with those charged with governance, such as the audit committee.

- Policies within the assurance client regarding the oversight responsibility for provision of non-assurance services by the firm.
- Involving an additional professional accountant to advise on the potential impact of the non-assurance engagement on the independence of the assurance team member and the firm.
- Involving an additional professional accountant from outside of the firm to provide assurance on a discrete aspect of the assurance engagement.
- Obtaining the assurance client's acknowledgement of responsibility for the results of the work performed by the firm.
- Disclosing to those charged with governance, such as the audit committee, the nature and extent of fees charged.
- Making arrangements ensuring that personnel providing non-assurance services do not participate in the assurance engagement.

In the UK Auditing Practice Board Ethical Standard 5 (*Non-audit services*), paragraph 87, the provision of litigation support services such as acting as expert witness are deemed to raise advocacy, management and primary self-review threats and therefore, are prohibited. However, given the lack of forensic accounting and litigation support guidance in the UK, where both forensic accounting and litigation support services are not defined, one would wonder which forensic investigative services would fall under the litigation support services and therefore be prohibited and which forensic accounting services would be considered as a separate branch as identified by the AICPA FVS committee.

The APB 2009 Consultation paper categorised non-audit services that audit clients have the capability to provide to the entities they audit into five main categories. Management consultancy services are included in the fifth category, "services provided because of the pool of consulting and general business skills available to accountancy firms". Once more, it is unclear exactly which services would fall under this category. Do forensic investigative services fit the criteria and thus fall under how this category is regulated?

The ICAEW framework, on the other hand, has differentiated between 'valuation services and other expert services' and 'litigation support services' with the unknown factor of exactly which expert services would fall under the 'other' category. Table 2.4 summarises the ICAEW regulatory framework recommended treatment of both categories.

Table 2. 4 ICAEW regulatory framework with regard to forensic accounting services

	ICAEW Regulatory Framework
Valuation services and other expert services	Not to be provided if proved to be material (i.e. only permitted if the figures involved are not material to the financial statements)
Litigation support services	Not to be provided if proved to be material (i.e. only permitted if the figures involved are not material to the financial statements)

What seems obvious from all of these pronouncements is that the provision of any specific non-audit services is rarely prohibited. It is left to the judgment of the audit firm to decide whether or not it is appropriate to provide any particular non-audit service. Such judgments will principally be made within the firm, supported – hopefully - in consultation with a client’s audit committee or other corporate oversight board. However, non-compliance with the framework would only be identified if the specific case were subject to regulatory oversight. Previous research indicates that the UK regulatory oversight rarely takes actions against wrongdoings within the accountancy profession, especially in the case of larger accounting firms (Sikka, 2009). This is evidenced by recent events where the Big Four accounting firms, even after have being blamed for helping corporations to lower their tax profile in the UK, nonetheless secured public accounts contracts of £162 m for PwC, £159 m for Deloitte, £94.5 m for KPMG and £72.5 m for Ernst and Young (Skynews, 2013).

It seems unclear how forensic investigative services are to be treated and regulated under the UK regulatory framework. In any event, the provision of forensic and investigative accounting services in an audit, if they go beyond the scope of that audit and are considered non-audit services (i.e. litigation support services), could make it questionable whether audit independence is being maintained. This is especially the case when a market is loosely regulated, as it is, for example, in the UK. Whether or not this could indeed threaten the independence of auditors in the UK needs further investigation. One form of regulation that may act to reduce the risk of this occurring would be pronouncements on this topic, issued by professional bodies of which forensic accountants are members. However, while such pronouncements have been made elsewhere, none have been issued in the UK. This research digs further into those issues, of which more details are to be found in Chapter 6.

2.9 Summary

This chapter aimed at presenting some important aspects of the forensic accounting discipline and raising critical questions of the current status of how forensic accounting is regulated in the UK.

The research identified a lack of an appropriate definition of forensic accounting practice, and presented important shortcomings in the proposed definitions. The chapter further detailed how ‘Chartered Accountants’ in the UK are allowed to provide any services that they think they are capable to provide. The time may have come for professional accounting bodies to consider boundaries and regulation for the entrance of chartered accountants - who lack the blend of specialised forensic skills, knowledge, training and experience - into the forensic accounting practice.

This chapter also explored the prerequisite skills forensic accountants need to possess in any forensic accounting engagement and found that non-technical skills (such as ethics, communication skills, interview skills and analytical and investigative abilities) are more important than technical skills. However, as outlined at the beginning of this chapter, most of the research surveyed was conducted within the American context, so that the present study will contribute to the current literature by identifying the UK forensic accounting skill-set. This phenomenon is regarded as very important for UK professional bodies to consider, as the current training courses/programmes seem to be non-existent.

It was also found that the UK professional accounting bodies (for example, ICAEW FSIG) have problems in demonstrating their legitimacy in regulating the forensic accounting practice. First, the forensic accounting services in the UK is not categorised and it is therefore unknown which forensic accounting activities are considered investigative services and which are considered litigation services- adherent to different skills-sets, knowledge, training, experience, engagement, rules of independence. Second, professional accounting bodies in the US, Canada and Australia have each established their own forensic accounting practice standards to aid their members in any forensic accounting engagement. What the UK professional accounting body has proposed so far is a voluntary accreditation, based only on examination of experience, and for technical spreadsheets to be made available only to the members of their FSIG. Hence, this research questions the lack of any form of regulative system in the UK, and will investigate the impact of a loose-regulatory system on the forensic accounting practice.

In the context of these issues, it is expected that the effectiveness of the forensic accountants in the UK in any forensic accounting engagements will be compromised. The following chapter is concerned with reviewing the sociology of professions literature in order to address the objective of this study, which is investigating the professionalisation of forensic accounting in the UK.

Chapter 3

Sociology of Professions

3.1. Introduction

Chapter two provided important descriptive insights of the current status of the forensic accounting profession in the UK compared to its counterparts (in, for example, United States, Canada and Australia). This chapter uses a more critical approach by looking at the formation of the forensic accounting professional group, specifically by exploring the different forces that contribute to the development of a professional group. While some of these forces were discussed in Chapter 2 (for example, the development of a certain set of skills, the licensure from a reputable professional body, publicise to the external audience the independence and objectivity intention of such a profession, the regulative context of forensic accounting and the importance of such services in pressured economies), the chapter did not aim to provide a theoretical framework from which a foundational base could be formed to investigate these forces.

However, this objective was achieved in the writing of the current chapter as the researcher focused on exploring the different theoretical frameworks that have previously been used to examine and thoroughly study professional formation. Therefore, this chapter critically reviews the theories of professionalisation that have informed this study and from where the research questions are drawn. This study is concerned with investigating the development of the forensic accounting profession in the UK using the lens of Abbott's (1988) framework. In particular, what does forensic accounting tell us about the role and strategy of the accountancy profession's attempts to claim a status in the forensic accounting practice in the UK? The aim here is to understand both the inter- and intraprofessional competition taking place and the dynamics between both that shaped the outcome of jurisdictional disputes.

This objective may inevitably run the risk of producing another explanatory account that uses the sociologists lens to explain the history of jurisdictional disputes that have forced the accounting profession to arrive at a certain jurisdictional settlement. However, what marks the special contribution of this thesis is the actual practice- forensic accounting - to be studied, together with the unique self-regulative context of the UK. Additionally, to the researcher's own knowledge, the accounting literature has overlooked the

importance of understanding how the accounting profession legitimates new forms of practices in its jurisdiction. Therefore this study contributes to the current accounting knowledge by providing a comprehensive account of the professionalisation of forensic accounting in the UK. The focus here is to present a current pivotal point of the practice.

Some may argue that forensic accounting is a new profession on its own, trying to establish its path through professionalisation (Huber, 2012). Others may say that it is an undefined jurisdictional area of work and that different modern professional groups are all trying to earn a status in this exciting profitable practice. It is this controversy that makes forensic accounting an interesting subject to investigate. Williams (2002) viewed forensic accounting as a 'unique form of professional labour', in every aspect of which 'law' and 'economy' are mutually constituted, defined and enacted. It is the aim of this thesis to add to understanding of the professionalisation route of forensic accounting. As Hopwood (1998) argued, professional claims should not be taken for granted, and the ways in which they are sustained must be investigated, as should their consequences. Hopwood emphasised the importance of studying and analysing the context in which professional claims take place. These contexts might be the organisations in which people work; the wider institutional and regulatory contexts, such as those created by professional bodies; or the ideas and ideologies that carve out roles for accounting, such as the idea of the market, or notions of efficiency or competitiveness (Miller, 2010).

The chapter is organised on the basis of three key elements. The first section explores the sociology literature and critically evaluates the different approaches taken by professionalisation theorists. The approaches discussed in this section are: the functionalist approach, which emphasises a 'public-service' ideology, the structural approach, which focuses on studying how the historical accounts of professions come to constitute its current structure, and the critical approach, which examines the work done by professional and how professions organise themselves to attain market power. The critical approach literature is inspired by the Marxist and Weberian approaches, which will be looked at later in the chapter. While this approach provides helpful insights of how the actions of professional individuals constituted their market position as powerful and prestigious professional groups, it largely ignores the determinant factor of professional development that is intra- and interprofessional competition, a phenomenon developed by Abbott (1988).

Section two details Abbott's (1988) theory of system of professions. Abbott (1988) states that professions exist in interdependent systems, where jurisdictional competition is the primary driver of professional formation or development. To be able to survive in this contest, a professional group needs to establish an effective control over an area of work through the application of specialist abstract knowledge; a link which Abbott terms "jurisdiction" (1988, p. 20). This theoretical framework was found helpful in understanding the accounting profession's strategies to maintain an exclusive place in the forensic accounting practice, and its role in developing the forensic accounting profession.

Section three outlines the development of the accounting profession in the UK. Using Abbott's (1988) framework, accounting scholars outlined the strategies and tactics used by the accounting profession throughout its history to establish, defend and extend its jurisdiction, investigated the profession's response to external and internal disturbances in its system, highlighted the interprofessional competition between accountants and lawyers over a number of issues, and examined the jurisdictional claims the accounting profession have made in the public and legal arenas. Critical questions about the status of forensic accounting are also outlined in this section, with the aim of fully investigating the raised concern empirically. The final section offers a summary of the main issues uncovered in this chapter.

3.2. The sociology of professions

The term 'profession' is a very controversial and fluid historical concept. While some tend to focus on how and why the term come to exist (e.g. Abbott, 1988), others examine how its meaning has changed over the centuries (e.g. Kimball, 1992). What is obvious is that historical and current studies fail to agree on how 'profession' should be defined, although some who have avoided defining the term have attempted to resolve the issue by either defining a criterion by which a certain occupational group is called a profession or by focusing on the process of professionalisation (Larson, 1977; Freidson, 1994). I, however, believe that a standalone criterion does not tell the true story of a profession's development, because each occupational group's route into professionalisation is different. Therefore, following Abbott (1988), the term 'profession' in this study will not be used as a closely defined technical term. Professions in the context of this thesis will be defined as "exclusive occupational groups applying somewhat abstract knowledge to particular cases" (Abbott, 1988:8). This section is

devoted to discussing the different approaches undertaken by the previous sociological and historical literature in studying professions and the professionalisation process. The section then concludes with a summary of the different frameworks that theorists have used to understand the development of professions in table 3.1.

3.2.1 Functionalism

The sociological work on professions has, in the mid-twentieth-century, been strongly influenced by the functionalist school of thought, whose origins can be traced back to Emile Durkheim [1958]. Durkheim believed that professional groups represent moral communities which would save the modern society from a breakdown in moral authority and that they were a ‘prerequisite for orderly transition to a new social consensus’ (Roslender, 1992:19). Influenced by this concept, Lynn (1963) argued that professional institutions maintain world order by acting as a channel of communication between the different professional associations around the world. Sian (2006) explains that this characterisation of professional groups as rocks, standing against waves raised by different social forces, came to exist partly because nineteenth century sociologists focused on studying strong, well-established professions such as medicine, law and the clergy.

Other writers, however, moved to a socially functional ‘traits approach’, where professions were considered ‘valuable altruistic institutions’ (Matthews, Anderson & Edwards, 1998:1) or ‘collectively-oriented’ (Parsons, 1954). Here, then, functionalists articulated a list of characteristics or essential elements of an ideal-typical profession against which certain occupational groups were assessed against in order to map them as more or less professional. The essential elements included *primary* functions such as formation of an association; production of qualified members, esoteric knowledge monopoly, registration of members and high standards of professional code and *secondary* functions which include: raising professional status, control of entry to the group, ability to act as a group and look after the interests of members (Sian, 2006).

3.2.2 Structural Approach

The structuralist scholars moved their focus from the “loose criteria” that make an occupational group become a so-called profession to revealing the typical process that occupational groups undertake to structure and establish themselves as a profession. Carr-Saunders and Wilson (1933) were the first contributors to this school of thought when they studied and documented the history of 22 professions in the United Kingdom.

They outlined the stages which occupations pass through on the path to achieving professional status (Carr-Saunders & Wilson, 1993 as cited in Neal and Morgan, 2000). Carr-Saunders and Wilson established a socio-historical approach of investigating the patterns in the histories of the various professions to contribute to the understanding of the present division of labour into professional and non-professional occupations. While their approach provided a historical construction of the way occupations are structured in the modern Anglo-American societies, it was subsequently neglected in favour of the approaches of Wilensky (1964), Caplow (1954) and Millerson (1964).

Harold Wilensky's article, "The Professionalization of Everyone", uncovered the "rites of passage" that eighteen occupations in the USA had undergone in order to become "established professions"¹⁴. He was interested to discover whether a comparison of the "clearly recognised and organised" professions could tell us anything about the process of professionalisation: "*Is there an invariant progression of events, a path along which they have all travelled to promised professional land*", he asked (p.142). His investigation revealed five normative steps to the route of professionalisation, to wit:

*'Professions begin when practitioners start doing what needs to be done on a full time basis. But then the issue of training soon becomes the focus of early recruits or clients. **Training schools** are therefore created'¹⁵. Inevitably, they then develop higher standards, longer training, earlier commitment to the profession, and a group of full time teachers. Then the professional teachers together with their first graduates join forces to create and promote a **professional association**. Professionals then are keen to secure **state protection**, although this does not always occur (particularly in the British territories). Finally, rules that were generated and successfully eliminated the unqualified and unethical, reduced internal competition, established client protection, and emphasised the service ideal are embodied in a **formal code of ethics**.'*

Although Wilensky's general model, of the process of professionalization, as described above, was initially well received and was a product of empirical research, it led to deviations in the actual sequence of his empirical results (Abbott, 1988). In other words, Abbott (1988) criticised Wilensky's model because his empirical results regarding the

¹⁴Wilensky (1964) believes that for any occupation wishing to apply professional authority, it must (1) find a technical basis for it, (2) claim an exclusive jurisdiction, (3) connect both the skill and jurisdiction to a certain standard of training, and (4) demonstrate to the public that its services are not only uniquely trustworthy but also morally established. This moral norm would signal to the public that practitioners of 'established professions' are technically competent, do high-quality work and most importantly are devoted to the clients interest rather than personal or commercial profit, something he called the 'service ideal'.

¹⁵The new training schools, if not initiated within universities, immediately seek association with them to develop steady studying courses, academic degrees to expand the knowledge base.

18 occupations did not seem to follow the five steps of the professionalisation route as he expected. Caplow (1954), on the other hand, outlined a stricter route some professional groups had taken to achieve professional status, which (Abbott, 1988:11) summarised as follows:

'Professions begin with the establishment of professional associations that have explicit membership rules to exclude the unqualified. Second, they change their names, in order to lose their past, to assert their monopoly, and, most importantly, to give themselves a label capable of legislative restriction. Third they set up a code of ethics to assert their social utility, to further regulate the incompetent, and to reduce internal competition. Fourth, they agitate politically to obtain legal recognition, aiming at first to limit the professional title and later to criminalize unlicensed work in their jurisdiction. Finally, development of training facilities is concurrent with this political activity.'

It is apparent that Caplow's (1954) approach, as compared to Wilensky's (1964) approach, place more emphasis on the important of exclusion and creating professional boundaries as first steps of professionalisation. However, the problem with both approaches is that they ignore the exclusive nature of each profession's professional model and the factors that come to shape its professionalisation stages. When studying the English occupations, Geoffery Millerson (1964, 1998) took a different route, considering the dynamic process involved in professionalisation, a route that clearly denies the Wilensky & Caplow successive approach. For Millerson, studying the professions path using a 'one route fits all' approach induced incorrect assumptions by ignoring the individual uniqueness of each profession. Millerson, therefore, looked at each profession individually and provided a complete historical account of each one, beginning with the formation of professional associations that then develop examination certificates, a code of ethics and the exclusion of the unqualified. Nonetheless, he argued that the formation of associations does not entitle a group to a route of professionalisation and that a strict ethical code will not necessarily protect the public and professionals because each professional route is unique; some will require greater control of work, but others might not. He concluded that the "*experience supplies training, not the education of theoretically based skill. Success measures competence not an examination certificate*" (Millerson, 1998:8)

Macdonald (1995) viewed the functionalist/ structural mainstreams as an improper sociological enterprise. They relied excessively on describing those traits/structure, but ignored explaining why? Why, for example, a professional group needs an accreditation

or an association? The Functionalist/Structural School of thought tended to conceptualise professions as central to social needs and values yet somehow ignored how professions are connected to the society in an unmediated manner (Larson, 1977). They therefore failed to consider social conflict (i.e. the conflict of interests between professional groups). However, the most fundamental problem is that even their basic description of what constitutes a profession no longer explained contemporary social reality. Social scientists (as discussed in the section below) came to realise that the development of professions was now more dynamic, and that there was a growing discrepancy between what the theory had predicted in the 1960s and what was actually happening in the 70s and 80's.

3.2.3 The critical approach¹⁶

The 1960s witnessed the rise of a new sociological paradigm, 'symbolic interactionism', one which noticed the development of new forms of social controls due to recent economical and political events. The Organisations where professionals work had increased enormously in size and complexity, which led to changes in working conditions (Freidson, 1986). Additionally, the number of scandals, leading to malpractice suits against lawyers, accountants and physicians, increased markedly, affecting the public image of these professions and leading to increased governmental regulation and intervention in some professional areas. The emphasis in sociological writing therefore shifted to analysing the actions and interactions of individuals and groups; how they constituted their social world as participants and how they constructed their careers (Macdonald, 1995), how they established their relationships to the power of the state, patrons and clients (Johnson, 1972) to be able to establish and maintain a specially favoured market position (Larson, 1977).

Everett Hughes (1958) and Freidson (1970a, 1970b) were leading scholars of this school of thought, which emphasised the conviction that the question of 'Is this occupation a profession' was the wrong question. Hughes (1958), therefore, focused on asking a more fundamental question, which was: what professions actually do in everyday life to negotiate and maintain their special position. The subject here became the work done by

¹⁶The Foucault's disciplinary approach will be excluded from this study due to its French dominated nature, which found to be difficult to apply to a non-French context. Nonetheless, some studies (Stafford, 2002) have used this disciplinary approach and even used a more developed approach (Hoskin, 1996; Hoskin&Macve, 1986) in exploring the development of professional identity in certified accountants through the role of education and training. For example, Stafford (2002) studied the historical growth of the ACCA as an exercise of disciplinarity and Hoskin & Macve (1986) used the Foucaulian concept of power-knowledge relations to explain the late-medieval developments of accounting technologies.

professionals and how professions organised themselves to attain market power, a driver for their desire for authority and dominance (Abbott, 1988, Sian, 2006). The interactionists see 'professionalisation' not as a process of guaranteeing and improving services but as a process which ensures public dependence and the exploitation of the monopoly supply of particular knowledge based-skills and services (Larson, 1977). This monopolisation of expertise will not only 'maintain and justify their professional standing in order to cling to the rewards that such status brings' (Matthews et al., 1998:2), that is, economic power and political influence (Johnson, 1982) but will also give them the privilege to cut out competing interest groups- a process interactionists call 'social closure' (Larson, 1977; Macdonald, 1995).

Freidson (1970a, 1970b), for example, was concerned with how the medical profession in America attained 'organised autonomy' or 'power', and the way that this extended into 'dominance' over related occupations, ultimately preventing external interference and supervision. In Britain, a different 'power' approach was adopted, rooted in Johnson's (1972) conceptualisation of professionalism as a form of institutionalised control. He did not regard a profession as an occupation but as a means to control it. Drawing on a Marxian approach, Johnson presented a typology of professions that focused on the relationship between the producer and the consumer of professional services and the level of control that the producer can exercise on this relationship and hence benefit from it (Macdonald, 1995). This relationship can be controlled using three formats, namely: collegiate control, patronage and meditative control. Collegiate control takes place when 'the producer defines the need of the consumer and the manner in which these needs are catered for' (Johnson, 1972:45). This form of control is apparent in the medical and legal profession, where professionals self-regulate their practices to reassure the public as to their altruistic positioning. Secondly there is patronage; here the consumer is the one who defines his needs and the manner in which they need to be addressed. Finally, in meditative control, 'a third party mediates in the relationship between the producer and the consumer, defining both the needs and the manner in which the needs are met' (ibid: 46). Within this type, 'capitalism' and 'state' mediation is distinguished, where either a capitalist intervenes between the producer and consumer in order to rationalise production and regulate markets, defining both the needs and the manner in which they will be met; or a powerful centralised state intervenes in the relationship between producer and consumer to define the nature of the needs. Although Johnson's analysis seems to be a good starting point for an analysis of the accountancy

profession (Roslender, 1992; Sian, 2006), his typology is viewed by many scholars as intellectually interesting rather than empirically relevant (Freidson, 1983; Macdonald, 1995).

Within this Power ideology, a new critical approach was founded, one which viewed professions as 'social actors'. Sociologists in this paradigm employed the work of both Karl Marx (see, for example, Johnson, 1972) and Max Weber (Larson, 1977; Macdonald, 1984, 1989, 1995) to study the concepts of professions. Both schools of thought are concerned with the social construction of reality and how things are done in society.

The Marxian sociology of the professions is primarily concerned with the profession's relation to the state and the proletarianization of professional occupations. Marxian economic theory is used to explain how the characteristics of capitalism which a society is based on will reduce virtually all workers to the status of proletariat, that is, dependent on selling their labour and losing control over the process of their work- employment rather than self-employment. As Braverman (1974:378) explains, 'the formal definition of a working class is that class which, possessing nothing but its power to labour, sells that labour to capital in return for its substance.' On the other hand, Self employment, (Oppenheimer, 1973:213) explains "*is a position in which the source of income is a more individually regulated sale of product or service under fairly loose market conditions established by face-to-face bargaining, rather than the sale of labour time; and the whole income goes directly to the worker without any bureaucratic intermediary*". Furthermore, the Marxian materialist theory of human society argues that the basis of stratification is to be found in the means of production and the relations of production that are based on them. It follows that state formation, the polarization of social classes and the monopolization of the means of production are all processes in which the professions are bound up (Macdonald, 1995).

On the other hand, Max Weber contextualised professions as social groups with common interests, who will endeavour to become a 'legally privileged group' and then attempt to form closed monopolies and hence exclude others from 'the social and economic opportunities' that members of the group benefit from through social closure. At the same time, such a group will seize the privileges enjoyed by other groups to achieve three dimensions of reward on which groups are differentiated, and for which they strive; economic, social and power benefit. The Weberian Model hence can be summarised concisely as follows: professional groups are engaged in competition battles

with each other and with other groups in society, up to and including the State. Each group's collective actions are motivated by the pursuit of economic interests and a quite distinctive social status. Their distinctive knowledge and qualifications give them a distinctive place in the class system, one that guarantees their respectability and achieves upward social mobility. In order to maintain their prestigious status in society, they act collectively to monopolise the market of their occupation by excluding others through social closure.

In developing the conceptualisation of a professional project and examining the processes involved in the creation and organisation of professions in attempting to attain market power, Larson (1977) built her study on the work of Freidson (1970)¹⁷ and draws on Weber's model of stratification which brings together his views of economic and social order as explained above. She identifies professions as interest groups linked to the class system of capitalist societies: *"it appeared to me that the very notion of professions is shaped by the relationship which these special occupations form with a type of society and a type of class structure...professions are situated in the upper and middle levels of stratification system...their relative superiority over and distance from the working class is, I think, one of the major characteristics that all professions and would-be professions have in common"* (Larson, 1977:xv). She emphasised the importance of expert knowledge and qualification as opportunities for economic reward and the imperative to maximise these in order to achieve the social mobility and market control (Sian, 2006). Professionals in this context not only need to possess such opportunities, but to strive to maximise them (Parkin, 1971). Hence, the professional group strategy will focus on social closure to 'mobilize power in order to enhance or defend a group's share of rewards or resources' (Murphy, 1986:23). Closure occurs when a group of subordinates attempt to claim a status in higher status groups' jurisdiction (usurpatory closure) or when higher status groups attempt to protect their jurisdiction from the competition of the lower status, inferior groups (exclusionary closure).

Macdonald (1995) also draws upon Larson's concept of the 'professional project' to analyse how occupational groups 'establish, maintain, defend and enhance' their positions as 'professional occupations', in particular, in accountancy. He extends Larson's very general model and focuses particularly on professional aspirations, the

¹⁷As noted earlier, Freidson (1970) identified the dimensions of a profession as cognitive and normative. The cognitive dimension is centred on the body of knowledge and the techniques which professionals apply in their work, and on the training necessary to master such knowledge and skills. The normative dimension covers the service orientation of professionals, and their distinctive ethics, which justify the privilege of self regulation granted by society. Freidson then examines the possibility of producing an ideology that is inherent in a successful profession. In that sense, the cognitive and normative dimensions are deployed, ideologically by successful professions to establish its social status. Once reached, professional groups are able to define and construct a particular area of social reality (Larson, 1977; Macdonald, 1995).

importance of respectability and state/profession relations (Macdonald, 1984, 1985, 1989, 1990).

3.2.4 Deprofessionalisation

While some sociologists were concerned with the construction of professionalisation projects, others were worried that professions are, in this century, losing their position of prestige and trust (Haug, 1973, 1975, 1977). The main support for this deprofessionalisation thesis is the disappearance of the special attributes¹⁸ that made an occupational group a profession in the first place. Threats to the professions' monopoly over their specialist knowledge stem from: the ability to store their esoteric knowledge in a computer, the increased level of education of lay population, making professionals' special knowledge less mysterious and more likely to be challenged, and finally the increased complexity of the specialised division of labour within which professionals work, making them dependent on other specialists in new fields. These new specialists claim authority for themselves and contest control over some portions of the formal knowledge that the established professions formerly monopolised (Friedson, 1984). The altruistic nature of professions has also been challenged due to the disproportionate increase in professionals' income while governments had to bailout many organisations using public funds. The banking crisis and the increase of executives' remunerations is an obvious example. This has resulted in the passage of legislation ensuring greater accountability and protection for client's/public rights.

The neo-liberal restructuring of the global financial markets which has occurred since the 1970s raises an important question regarding the consequences of globalisation on the professional group's control of their work (i.e. their jurisdiction). Sikka and Willmott (1995) argued that professional competition between and within professions is conditioned by the expanding opportunities of globalisation of trade and internationalisation of markets. The Aggressive globalisation strategy of the many of the professional service providers (Beaverstock, Smith, Taylor, Walker & Lorimer, 2000; Faulconbridge & Muzio, 2007) and the cross-border mobility of professionals is another important factor in today's development of professions.

¹⁸Haug (1973: 196) refers to these attributes as "possessing a monopoly over a body of knowledge that is relatively inaccessible to lay people; having a positive public image that stresses altruistic rather than self-serving motives; and having the power to set their own rules as to what constitutes satisfactory work."

Opponents of the deprofessionalisation thesis found its argument unpersuasive. For example, Lipset and Schneider's (1983) analysis showed little drop in public trust in professional institutions, nor did it show any evidence that their relative prestige has declined. Nonetheless, there has been no visible movement towards actually eliminating the quasi-monopolised institutions, or any evidence of interference in the professions' exercise of authority over their own technical areas of expertise (Kissam, 1980). Friedson (1984), additionally, argued that the new advanced technologies have rather helped professions to increase their jurisdictional claims. He argued (p.9): "While the power of computer technology in storing codified knowledge cannot be ignored, it is the member of each profession who determine what is to be stored and how it is to be done, and who are equipped to interpret and employ what is retrieved effectively"

Concisely, while the deprofessionalisation thesis seems to be interesting, there is no evidence that elite professions are losing their relative prestige and respect, their esoteric knowledge, and their monopoly over the exercise of their professional expertise.

Table 3. 1 Sociological work on professions

	Main theme	Critique of the Approach	Reference
Functionalism	<p>Professions could be defined as distinct occupations with a certain set of criteria or features that distinguished them from others. A distinct feature of these professional groups is the high skill and knowledge that enables the delivery of an esoteric service.</p> <p>Professions had elaborate systems of instructions, training, together with entry by examination, and other formal prerequisites. They normally possessed and enforced a code of ethics or behaviour.</p>	<p>Although sociologists provided an important list of components of professions, they failed to agree on coherent set of agreed criteria. Therefore, case studies done under this genre were never comparable.</p> <p>The process of defining a certain occupational group as a profession according to a certain agenda created disputes among the functionalists.</p> <p>Sociological work on professions pays little attention to the actual work done and the expertise used to do it.</p>	<p>Hughes (1963)</p> <p>Lieberman (1956)</p> <p>Friedman (1962)</p> <p>Durkheim (1957)</p> <p>Parsons (1939, 1964, 1968)</p> <p>Flexner (2001)</p>
Structural Approach	<p>Occupational groups follow a certain structure in order to achieve a professional status.</p> <p>Professionalisation became an explanation of why professions displayed such a diverse properties.</p> <p>This school of thought focused on how the historical accounts of occupations that drove the current structure of professions and their evolution.</p>	<p>Like functionalism, this approach has left out the important questions: why professions are structured in this form?</p>	<p>Carr-Saunders & Wilson (1933)</p> <p>Millerson (1964)</p> <p>Wilensky (1964)</p> <p>Caplow (1954)</p>
Critical approach	<p>This approach presumed that professionalisation is an established fact, thus turned to constitute a new theoretical question: why did professionalisation follow the sequence it did?</p> <p>By seeing monopoly as a striking feature of true professionalism, studies have then focused on what professions do, not what they are. They focused on how and why occupations come to constitute a social group and impact of this constitution on the division of labour.</p> <p>Professions are distinctive only in terms of their power and the ideology of professionalism. This ideology is self-serving - not client or service-oriented - and self-interested, leading to the concept of both professional and privileged status.</p>	<p>The power theorists accepted the assumptions behind the concept of professionalisations, including the idea of fixed sequence of events or functions, and the assumptions of the essential qualities of professionalism and the characteristics of the interprofessional world when studying the best examples of professionalism (American Law and Medicine).</p>	<p>Larson (1977)</p> <p>Freidson (1970)</p> <p>Johnson (1972)</p> <p>Berlant (1975)</p> <p>Macdonald (1984, 1985, 1989, 1990, 1995)</p> <p>Sian (2006)</p>

3.2.5 Abbott's (1988) theoretical framework: his contribution to the sociology of professions literature

It is clear from this discussion that the development of professions has been studied for many years. For a long time, the standard method of investigation was studying the process of professionalisation (Wilensky, 1964; Larson, 1977; Bledstein, 1976, Freidson, 1984) or deprofessionalisation (Haug, 1973, 1975, 1977). Abbott (1986:188) synthesised the different professionalisation arguments presented above into a general conceptualisation in the following manner:

'...Professional occupations evolve towards a particular structural and cultural form of occupational control. The structural form is called profession and consists of a series of organisations for associations, for control, and for work. (In its strong form, the professionalisation concept argues that these organisations develop in a certain order.) Culturally, professions legitimate their control by attaching their expertise to values with general cultural legitimacy, increasingly the values of rationality, efficiency, and science.'

The problem with the functional and structural schools of thought is that they no longer generate interesting evidence. Additionally, the notion that professions, more or less, evolve towards a certain form - structurally or culturally - of development neglects the wider context of a professional project. The conceptualisation, furthermore, ignores the features of intra and interprofessional relations in constituting individual professions' development. Abbott (1988), on the other hand, thoroughly documented the impact of professional interdependence on the system of professions. This theme, I argue, influences a practice like forensic accounting due to its multi-dimensional nature. This is one of Abbott's (1988) contributions to the sociology of professions literature and a major influence on choosing it in my study.

Professionalisation, Abbott argues, is a misleading concept because it focused more on the form - associations, licensure, and ethics code - than the contents of professional life, the actual work and its control. Work is a central theme in constructing professional development; it is where professions tend to compete, and hence, occupational groups try to control their knowledge and application from the attack of outsiders.

Interprofessional competition and the creation of jurisdictional boundaries are the real determining features of professional development. Hence, as Abbott (1988:20) puts it:

“The central phenomenon of professional life is thus the link between a profession and its work, a link I shall call jurisdiction. To analyse professional development is to analyse how this link is created in work, how it is anchored by formal and informal social structures, and how the interplay of jurisdictional links between professions determines the history of individual professions themselves.”

Studying forensic accounting requires us to reflect on some issues ignored by these earlier schools of thought. First, the multi-dimensional facet of forensic accounting as an area which requires the skills and expertise of different professional groups (for example, accountants, economists, IT technologists, financial analysts, researchers, and, lawyers), indicates the importance of studying the role of the accountancy profession in forming and developing the forensic accounting practice i.e. what was the strategy of the accounting profession to maintain a status as the main provider of forensic accounting services in competition with different professional groups. Additionally, this multi-dimensional nature of forensic accounting has raised important question with regard to the dimension of competition in the market, both from the inside (intra-professional competition between forensic accounting practicing firms) and from the outside (inter-professional competition with other professional groups), if any is present. Another important aspect of the forensic accounting practice, as discussed in Chapter 2, is the importance of the ‘independence’ and ‘objectivity’ of the forensic accounting provider and how this has impacted the provision of forensic services by the ‘so called’ professional service firms. On the basis of this synthesis, the next section will focus on presenting the approach that will be undertaken in this thesis, which is centred on the thesis developed by Abbott (1981, 1986, 1988).

3.3. Work, Jurisdictional Claims, and the System of Professions

In 1988, Abbott developed the concept of a ‘system’ of professions and focused on providing a rich and complex analysis of the nature of relationships among professional occupations and the forces that shape these relationships over time. Within this system, each professional group strives to defend and expand its area of jurisdiction in competition with rival professions (Sikka and Willmott, 1995). Abbott examined the negotiation of jurisdictional boundaries between professions when studying the

professional development of medicine, law and accounting. In turn, his focus upon jurisdictions draws attention to the ways in which the boundaries of jurisdiction are negotiated - attacked and defended- as different professions compete over emergent or vulnerable territories. For example, he demonstrated how the development of the accounting profession in the US and Britain was marked by conflicts with professionals in the engineering, law and operation research domain (1988: 226-233). Abbott was not only determined to examine the interprofessional competition but also the internal differentiation of professions and their social and cultural context (Macdonald, 1995). This research uses Abbott's theoretical framework with emphasis on the jurisdictions and the abstract and professional knowledge system that defines it to theorise the empirical findings, and aims to investigate the attempts of the accounting profession to professionalise the forensic accounting practice within its jurisdictional claims. The research uses the UK setting as the base of investigation. The following section is devoted to outlining Abbott's theory of the system of professions.

In order to present Abbott's conceptualisation in a structured format, I shall start with outlining how the professional work is constituted, how jurisdictional claims are made and settled, the importance of a profession's abstract knowledge in legitimising its jurisdiction, and the necessity of its continuous modification and the internal structure of a profession workplace.

3.3.1 Professional work

To understand a profession's work, one must understand the problem that this group claims to have the required expertise to address. This problem has an *objective* and a *subjective* dimension. The objective dimension of a problem is what creates consensus: everyone agrees there is a problem - everyone agrees, for example, that financial crimes disturb the economy. But at the same time, there are subjective interpretations of this problem, that is, how different professional groups construct the problem as they work with it. In the case of financial crime, it has been considered as organised terrorist crime, fraud, money laundry, bribery, theft or even an outcome of globalisation and rapid growth of technology. In fact, it is these subjective aspects of jurisdiction that are attacked by other professional groups interested in "interprofessional poaching" (Abbott, 1986:187).

It is, therefore, the strength of the subjective construction of jurisdiction that determines how open the jurisdiction is to external attacks of other professions, attempting to redefine one profession's work under their own territory. Members of a professional group try to give a strong legitimacy to their interpretation so that others will not question their position. Therefore, it is essential for a professional group to frame its jurisdictional claims and reach a settlement of its jurisdictional claims. The jurisdictional claims made by a profession depend on the profession's own decisions as to which settlements it will aim for, and in part, depends on the audience. For a profession to claim a jurisdiction- its legitimate control of a problem- it must ask 'society to recognize its cognitive structure through exclusive rights' (Abbott, 1988:59).

In the field of forensic accounting, the problems that gave rise to the need for the expertise are complex, because the practice is quite varied and deals with different problems that require different levels of expertise from different professional groups. As outlined in Chapter 2, there are 12 branches of forensic accounting as pronounced by the leading accounting professional body in the UK, the ICAEW, which are: commercial disputes, criminal defence, digital forensics, expert determination, fraud investigations, insurance claims, matrimonial investigations, personal injury, professional negligence, tax investigations, litigation valuations and expert witness¹⁹. Each area of practice requires the expertise, knowledge and experience of different professional groups (i.e. accountants, lawyers, economists, law enforcement agencies, police officers and IT specialists), which requires the accounting profession to employ those professionals in order to claim its expertise in the forensic accounting practice. As such, each professional group within the accounting profession contributes to the subjective interpretation placed on the problem, i.e. why the consumer of forensic accounting services needs the expertise of accounting firms, now known as professional service providers. With this proposition in mind, the first lines of inquiry in this thesis are:

- Which areas of forensic accounting practice (professional work) did the accounting profession claim professional expertise on?
- Was the accounting profession successful in its jurisdiction claims in those areas of forensic accounting practice? (i.e. Did the accounting firms witness

¹⁹ICAEW initially defined 12 areas of practice when its accreditation was titled forensic accounting and expert witnesses accreditation. In December 2011, the ICAEW removed the expert witness element from this scheme and settled for a partnership with The Academy of Experts (TAE) on the basis of 'improving the scheme for members'

growth in those areas of practice?)

3.3.2 Jurisdictional claims

Jurisdictional claims can be made in several possible arenas, of which the most important are: the public, the state/legal, and the workplace (Abbott, 1988). The jurisdictional claims made in the public arena, where professionals build a certain image to influence public opinion and hence impose pressure on the legal system, is a claim of *the right to define certain problems culturally and to dominate the social structure dedicated to solving them* (p. 62). Along with the right to perform the work as it wishes, a profession normally also claims the right to exclude other workers as deemed necessary, to dominate public definitions of the tasks concerned, and indeed to impose professional definitions of the tasks on competing professions. By revealing to the public some of its professional terminology and insights (the advice columns of newspapers and magazines are familiar vectors of these claims, as are the perennial handbooks published by or for professional association), the profession persuades the public opinion of its ownership of defining the task and its own approach to address them. Although these means of presentation are crucial, individual professionals come to play a larger image-making role by making their members aware of their personal effects on public perception. As Abbott (1988: 61), argues:

“The professions’ presentation of self in vocational guidance manuals [professional ethical codes] has considerable importance in this public image making as, of course, does the extensive media presentation of heroic professionals. These public images of jurisdiction typically last for decades. Professions contest them in a variety of places- in the various mass media, but also in such crucial recruitment settings as the schools”.

The second arena of jurisdictional claim is the legal one, which can confer formal control over the performance of tasks. The claims made in this arena are more specific; they may include a monopoly of certain activities, control over certain setting of work, but more often, they include a formal control of certain kinds of language. Abbott (1988) argues that this not only means the language describing the tasks at issue or the groups attempting to perform them, but also the language used to conduct the work. *Accountants, for example, not only control the definitions of auditing and other such tasks, they also have exclusive legal rights to certain names (e.g. CPA in US, CA in England) and fairly complete legal control of the meaning of words like “depreciation”*

in formal financial contexts (p.62)²⁰. However, “by the time a profession actually achieves legal establishment, it has usually long since won its public position” (Abbott, 1988:64)²¹.

In the workplace arena²², jurisdictional claims originate and are easily attacked (Abbott, 1988). It is therefore the organisation of a profession that determines how its jurisdictional boundaries are opened to or closed from such attacks. A profession’s social organisation is comprised of three distinct internal structures: professional group, professional control (through schools, associations, examination and ethics code) and worksite. The worksite is typically an organisation, but also “in some cases, professionals [who] work in solo or small group practices in open markets” (Abbott, 1988: 64). It is the former scenario that applies in the case of accountancy throughout this century. Abbott explains how work was acquired and jurisdictions settled within an organisation as follows:

“Within an organisation, the standard interprofessional division of labour is replaced by the intra-organisational one. More often than not, this locates professionals where they must assume many extraprofessional tasks and cede many professional ones... In most professional work settings, actual divisions of labour are established, through negotiation and custom that embody situation-specific rules of professional jurisdiction. These actual divisions of labour are extremely vulnerable to organisational perturbations. Professional staff are often replaced by paraprofessional or untrained staff without corresponding change of function. The division of labour must then be renegotiated, with the common result that boundaries of actual professional change to accommodate organisational imperatives” (p.65)

Therefore, the more strongly organized professions are, the more likely it is that they will succeed in their jurisdictional claims, in particular in the public and legal arenas. There, organisation and the representation through a single national association, are

²⁰Competition struggles for legal recognition happen in three places, namely, the legislature-granting statutory rights to certain professional groups, the court- enforcing the statutory rights and specifying the actual profession boundaries, and finally the administrative and planning structure.

²¹This observation certainly applies to the case of accountancy in Britain, where a legal monopoly of the company audit was awarded as late as 1948 and, in Parker’s assessment (1986, p. 39), legislation merely reflected “what in practice had long been the case”.

²²Arena and Jeppesen (2010) argue that an analysis of a workplace claims of expertise is focused on the micro level, analysing how a certain profession departments are organised, which activities they perform, and how personnel are recruited and acquire professional knowledge.

prerequisites for succeeding. The profession's organisational structure may also enable it to fend off attack. Rigid entry standards, strict and lengthy education, training and examination structure help to control entry of new recruits, total numbers and a minimum level of quality. However, while this monopolistic strategy may protect the profession against attack, it can turn out to be disadvantageous if demand suddenly increases because its own standards make it impossible for the profession to expand quickly. The only solution, then, is for the incumbent to create a subordinate group to deal with the new demand, a strategy which has its own dangers because it may mean a loss of part of the jurisdiction to the newcomer (Abbott, 1988: 84).

Empirical studies have so far focused on cases in which claims were made in the public and legal arenas. Edwards et al. (2007) showed that public accountants in the 19th century claimed their jurisdiction mainly in the public arena, a conclusion that Walker (2004a) also reached. Evans and Honold (2007), in their history of public accountants in Germany state that, "negotiations mostly took place in the legal arena" (p. 79). However, some other studies have found Abbott's analysis of jurisdictional claims too broad to be applied. For example, Schmidt, Schaffer and Strauss (2011), when studying the professionalisation of the controller (management accountant) in Germany, found Abbott's theoretical conceptualisation "too broad to guide an analysis". Therefore, they constituted another arena, the expert community - an arena composed of organisations and individuals such as business practitioners and professors - that is believed to be important for bureaucratic professions.

This analysis raises another set of critical questions, which are:

- Was the accounting professional successful in legitimising the forensic accounting practice? If so, what are the strategies that the accounting profession used to build a professional image as the main provider of forensic accounting services in the public and legal arena?

The next section examines how certain factors (or, as Abbott's frames it, disturbances) can impact on such a legitimisation process and thus lead to certain settlements.

3.3.3 System disturbance and Jurisdictional Settlement

As outlined earlier, professions exist in an interdependent system, the formation or the development of a profession is conditioned by its ability to create new jurisdiction, to seize a vacant jurisdiction, or to capture a jurisdiction from another profession, which has previously held it. Therefore, professions are in a continuous dispute over jurisdictional boundaries (Arena and Jeppesen, 2010). Disputes commonly arise from internal or external disturbances to the system of professions (Abbott, 1988:86-113). Exogenous disturbance originate naturally or through technological, organisation and cultural imperatives or even through political interference into the jurisdiction.

“While cultural and natural facts seldom change rapidly enough to force sudden readjustments, new technologies or organizations often create new areas for professional work. New groups may serve these areas or old groups move to them. In the latter case, these old groups may weaken their jurisdictions elsewhere. Other professions may then attack those weakening jurisdictions-the disturbance may “propagate” to another part of the system. Similarly, technologies and organizations may disappear, leaving professions without functions, on the prowl for work.” (Abbott, 1986:187)

Technology, for example, has created new areas of work for accounting firms, such as e-audits and IT consultancy services. Professional work is not only vulnerable to external forces of change, but also through change endogenous means, that is, the development of new knowledge or skills. Developments in knowledge quite often extend jurisdiction; but equally important are developments in organisational structure affecting the efficiency of service. Internal disturbances weaken or empower jurisdictions; external forces can affect the system more directly by destroying or creating jurisdiction. Abbott argues, “if we can understand the beginnings and endings of these disturbances, the way they propagate, and the conditions determining them, we will have an effective model of professional development” (p90).

Internal systems of disturbance within the profession (Covaleski et al., 2003; Arena and Jeppesen, 2010, Richardson, 2002; Robson and Cooper, 1990) and external systems of disturbances arising from beyond the boundaries of a professional group (Walker, 2004, Pong, 1999, Napier and Noke, 1992b, Martens and Mcenore, 1998, Dezalay and Sugarman, 1995, Armstrong, 1985) have been extensively investigated in the accounting literature (Kotb, Roberts & Sian, 2012). Many of these studies have been based on secondary data and evidence from historical events (as was Abbott’s work), but what marks the contribution of my project is its focus on a current, pivotal point on the professionalisation trajectory of the accountancy profession, which Kotb et al. (2012)

define as a profession that veers in a number of different directions and is, to a large extent, dependent on the activities of the profession itself.

Therefore, in order to investigate what the current disturbances are and their affect on the forensic accounting structure in the UK, the research will examine:

- What external factors (disturbances) affect the demand for forensic services, and how those external factors impact the accounting profession jurisdiction (i.e. created or abolished new opportunities in the forensic accounting practice).

At the outset, one might be tempted to argue that examples of external disturbances could be: The audit reforms in the US that gave American forensic boutiques an opportunity to compete with accounting firms, and expand their practices in the UK (as discussed in chapter 2), the computerisation of clients' globalised businesses and the evolvment of e-business, which presented new knowledge challenges/opportunities for the accounting profession and, hence might result in organisational reforms of the large professional firms to mobilise the expertise of different professional groups (internal disturbance). However, I am interested in empirically investigating those assumptions before making any conclusions.

Those system disturbances lead to jurisdictional disputes that could be resolved, although the outcome of disputes does not necessarily achieve full jurisdiction settlement and the extent of settlement can be in a number of possible forms such as division or an amalgamation of jurisdiction:

“Both amalgamation and division play a peculiar role in the system of professions. (...) Amalgamation absorbs jurisdiction as well as groups. Division creates both a new jurisdiction and the group to occupy it (...) they change the quantitative strengths of various jurisdictions, thereby blocking or facilitating further change.” (Abbott, 1988, pp. 105–107).

The claim for full exclusive jurisdiction is just one end of the spectrum, where the claim is made first in the public and later confirmed via legislation. Such claims are made by formally organised groups and are based on the power of the group's abstract and professional knowledge to define and solve a certain set of problems which may already be under the jurisdiction of another group (Abbott, 1988:70). Examples include law (full jurisdiction over social disputes) and medicine (over sickness) (Kotb et al., 2012). However, many professions exercise less than dominant control in many of their

jurisdictions. The other weaker forms of control, which Abbott (1988) argues are more useful, are: subordinate jurisdiction, intellectual jurisdiction and advisory jurisdiction (see Table 3.2 below).

Table 3. 2 Possible settlements according to Abbott (1988)

Settlement		Definition.
Full jurisdiction		One profession controls the jurisdiction and excludes competitors.
Subordinate jurisdiction		Subordinate (junior) profession are allowed to practice the work under the control of the superior profession.
Intellectual jurisdiction		The superior profession controls the knowledge base, but allows other occupations to practise more or less unrestricted. Superior and subordinate professions share practice of work.
Advisory jurisdiction		One profession retains the right to interpret or modify the work of another profession. A profession has the right to offer advice or partial services to clients of other professions.
Divided Jurisdiction	According to work	Professions split the control of a given work (jurisdiction) into two interdependent parts, and occasionally they share an area without a division of labour.
	According to client	Professions split the jurisdiction according to the client nature. The client differentiation split arises when a profession deliberately fails to serve certain client groups. Hence, a new group inevitably arise to compete with the dominant profession.

A subordinate jurisdiction is established when a profession admits non-professional groups to do some of its routine work. This, indeed, has a clear advantage for the dominant group as it allows it to delegate some of its routine work and extent its dominant position without sacrificing perquisites. The case of medicine and nursing is a good example (Kotb et al., 2012). However, for a non-professional group the adoption of a subordinate role may be part of a long-term strategy to professionalise; first to get assimilated into an existing profession thereby acquiring professional status, and then to break out and create a new profession with a part of the jurisdiction. For this reason, settlement by subordination is inherently unstable over a period of time. As the subordinate occupation professionalises and is assimilated, the superior profession attempts to move to a position of intellectual jurisdiction, where it controls the knowledge base of the subordinate profession while allowing it to practice more or less unrestricted. An example of intellectual jurisdiction is psychiatry, which retains control of its knowledge base while allowing it to be sourced to other lower professional groups such as social workers and psychologists. In time the subordinate profession is, however, likely to seek to gain control with the institutions that are responsible for the

development of its knowledge base. If they are successful then the last resort for the superior profession to avoid dividing the jurisdiction is to gain an advisory jurisdiction, where it retains the right to interpret or modify the work of the subordinate profession.

Those settlements -full, subordinate, intellectual, functional division, and, advisory- are or eventually become formal, explicit claims in the public or legal arenas. The client differentiation settlement is purely a workplace settlement, and can occur between as well as within professions. This differentiation occurs when there is too much work for a professional group to handle on its own. The most common outcome of a sudden demand flux is that the superior profession retains full jurisdiction claims in the public and legal arenas, which focuses on the higher status clients and elite workplaces, while in the workplace arena, jurisdiction is shared with another subordinate lower profession or group (Evans and Honold, 2007), which implies that they have the ability to carry out the tasks involved. The subordinate untrained or non-professional group carries out tasks within the superior group boundaries but to its lower-status clients, acquiring much of the practical (if not theoretical) knowledge required. This can eventually lead to jurisdictional battles between the two groups as the lower profession start to strongly compete for this type of work. Client differentiation can also occur through internal scarification within professional groups, the organisation of accountants into distinct groups in Britain: public sector accountants and auditors, cost and management accountants are good examples.

The success of this division strongly relies on the ignorance of the market. If such client differentiation became known in the public or legal arena, this can ultimately weaken a profession's claim to its jurisdiction. For example, Pong (1999) looked at the inter-professional dispute between accountants and lawyers which occurred between 1985 and 1990. This dispute concerned off-balance sheet finance and the issuance by the UK Accounting Standards Committee (ASC) of Exposure Draft 49 "Reflecting the Substance of transactions in assets and liabilities" (an internal source of the practice of accounting). The ensuing jurisdictional dispute between accountants and lawyers then centred on differences in the interpretation of the law, that was settled when accountants sought to obtain the support from a superior authority, DTI (Department of Trade and Industry). The DTI facilitated the settlement of the dispute through division of labour, where accountants were considered the best qualified to decide the appropriate accounting treatment and lawyers were superior on the interpretation of company law

3.3.4 Abstract (Academic) Knowledge

In order to socially constitute a jurisdiction, professions need to control an abstract system of knowledge (Abbott, 1988; Tolbert, 1990). It is through this control that a profession can define and redefine the societal problems it addresses, develop the services and practical techniques to be performed to address these problems and possibly extend its jurisdiction to possible new arenas of adjacent professions (Covalesski et al., 2003).

The educational system plays an important role in the attribution of expertise, since knowledge is the 'currency of competition' (Abbott, 1988: 102). How professions develop their knowledge is important in order to understand the grounds for their claims of expertise. Abstract knowledge is commonly based upon scientific knowledge, making a profession's link to the university important for several reasons. First, the symbolic rewards within the university play an important role in legitimating a profession's jurisdiction because scientific knowledge is based on culturally accepted values such as rationality and efficiency. The academic education of professionals at universities thereby connects the work of the profession to values central in society. Second, universities advance professional knowledge by research. Research conducted in academia will serve to expand, develop and even defend the profession's knowledge base and hence the field of practice from the unqualified. Knowledge may affect the jurisdictional balance in the system of professions and support jurisdictional claims. Professions therefore often compete for jurisdiction by sponsoring university research in the areas which they claim expertise on. Scientific knowledge may also support a profession's attempt to create an abstract body of knowledge, which professionals may in turn use to annex new areas by claiming that they fall within the profession's expertise. Third, universities are an essential part of the training of young professionals, linking jurisdictional claims, research and education. This means that university teaching also becomes an important arena for professional competition over jurisdiction. Professions compete in this arena by attracting students and by monopolising the teaching of courses on particular subjects. However, the importance of academic knowledge in legitimising a professional claim is symbolic rather than practical. As Abbott (1988:30) argues:

“The ability of a profession to sustain its jurisdictions lies partly in the power and prestige of its academic knowledge. This prestige reflects the public’s mistaken belief that abstract professional knowledge is continuous with practical professional knowledge, and hence that prestigious abstract knowledge implies effective professional work. In fact, the true use of academic professional knowledge is less practical than symbolic. Academic knowledge legitimises professional work by clarifying its foundations and tracing them to major cultural values.”

Nevertheless, Abbott (1988:8) argued that a profession’s control of its abstract knowledge provides power: “For abstraction is the quality that sets inter-professional competition apart from competition among occupations in general. Any occupation can obtain licensure or develop an ethics code. But only a knowledge system governed by abstractions can redefine its problems and tasks, defend them from interlopers, and seize new problems. The knowledge system and its degree of abstraction are the ultimate currency of competition between professions”. But as soon as professional knowledge is fully translated into rules and programs or becomes codified, the profession’s power disappears. Therefore, it is necessary for a profession to continually re-generate its abstract system of knowledge, thereby extending its jurisdiction to that of possible competitors.

Whereas, in England, a doctor, dentist or engineer has to first undertake a relevant degree before embarking on professional education or training, the case of English accountancy is rather unique. Not one of the six recognised professional bodies in the UK requires its trainees to be university graduates, far less to hold an accounting degree. It is apparent that formal accountancy education and training rests with practitioner-controlled “qualifying associations” (Millerson, 1964) that operate independently of, and unrelated to, the university education system (Burrage, 1993; Trow, 1993). This disconnection might imply the loss of very significant practical and symbolic benefits. Geddes (1995) offers four main reasons for the failure to build the expected education link with universities. First she argues that, in some instances, ICAEW was either unwilling or unable to challenge the anti-academic attitudes of its practitioners, many of whom were themselves not graduates and saw no value in university education. Second, the poor performance of relevant graduates in professional examination created reluctance on the part of the profession to create a closer relationship with universities. Third, accounting firms’ willingness to finance private sector courses afforded them enormous control over both the kind of trainees entering the profession and the kind of

knowledge which such entrants absorbed. Finally, she noted that the lack of any significant competition from universities has contributed to this failure.

However, Annisette & Kirkham (2007) suggest that because academic knowledge and professional knowledge in English accountancy have never had a close nexus, university is of little use to a profession as a means of diffusing, expanding and developing professionally relevant knowledge. Their study has shown that this unique profession-university relationship has benefited both the ICAEW and academia. The ICAEW has succeeded in establishing a successful recruitment relationship with the university as a whole rather than a training relationship with the accounting arm. This has provided the necessary means by which the profession can enjoy the symbolic rewards which a university association confers without bearing the cost of surrendering control of its education and examination functions. This relationship also gave the accounting departments the freedom to recruit, publish, and compete with other academic departments without the constraints of professional practice.

Although this analysis gave critical insights of the outlook of the abstract system in the UK accounting profession, the researcher argues that it is somehow questionable. This is because, in recent years, the ICAEW has been developing a strong relationship with the accounting academia, evidenced by their extensive sponsorship of much accounting research in different disciplines (for example, Walker, 2004, Beattie and Fearnley, 2002). The monographs developed by accounting academics have a significant role in the development of ICAEW's code of ethics. Additionally, most of the accounting courses taught in universities are accredited by professional institutes (Such as the ACCA and ICAEW).

It is obvious from this discussion that the accounting profession maintains a rather unique relationship with all UK university departments. This research attempts to investigate this issue further by focusing not only on the abstract knowledge the accounting profession established in forensic accounting but also the professional knowledge and skills needed to excel in this field and whether the accounting professionals eventually get what is needed to be successful forensic accountants (see Chapter 2, section 2.1.2). Accordingly, this thesis further investigates:

- What are the abstract, professional knowledge and skills in the forensic accounting practice?

To conclude, Abbott's work on the system of professions goes beyond previous theories in creating a system model that takes into account 'the complex mass of contingent forces' that have shaped and defined the development of professions (Abbott, 1988:316). As presented in figure 3.1, Abbott defines 'jurisdiction' as the link between professional structure and the work that professionals, as members of that institutional framework, carry out. He argues therefore that professionals must be able to claim jurisdiction in order to carry out their work. Each profession occupies an area of jurisdiction, and these are bound in relationship with each other such that the movements of any one profession/jurisdiction will affect others. Such movements are driven by "interprofessional competition" and therefore create disputes between professional groups, with one profession's jurisdiction pre-empting another's. Due to the significance of disputes on professional jurisdiction and their outcomes, his work largely focuses on jurisdictional disputes where professions attack and defend their territory. Such disputes lead to one of the jurisdictional settlements outlined in Figure 3.1.

The work presented here, while drawing inspiration from various schools of thought, aims to follow Abbott's system of professions. In my view this concept has proved robust enough to carry out the study of forensic accounting. Based on Abbott's conceptualisation of the system of professions, the core objectives of this research is to investigate the role of the accounting profession in creating a professional image and hence jurisdictional right in the provision of the forensic accounting services, what line of intra and inter-professional competition struggles and disturbance it faced during its professionalisation path, who their audience were and how it managed to claim its jurisdiction in the work place.

The final section focuses on exploring the accounting literature that used Abbott's theoretical framework when studying the development of the British accounting/auditing profession.

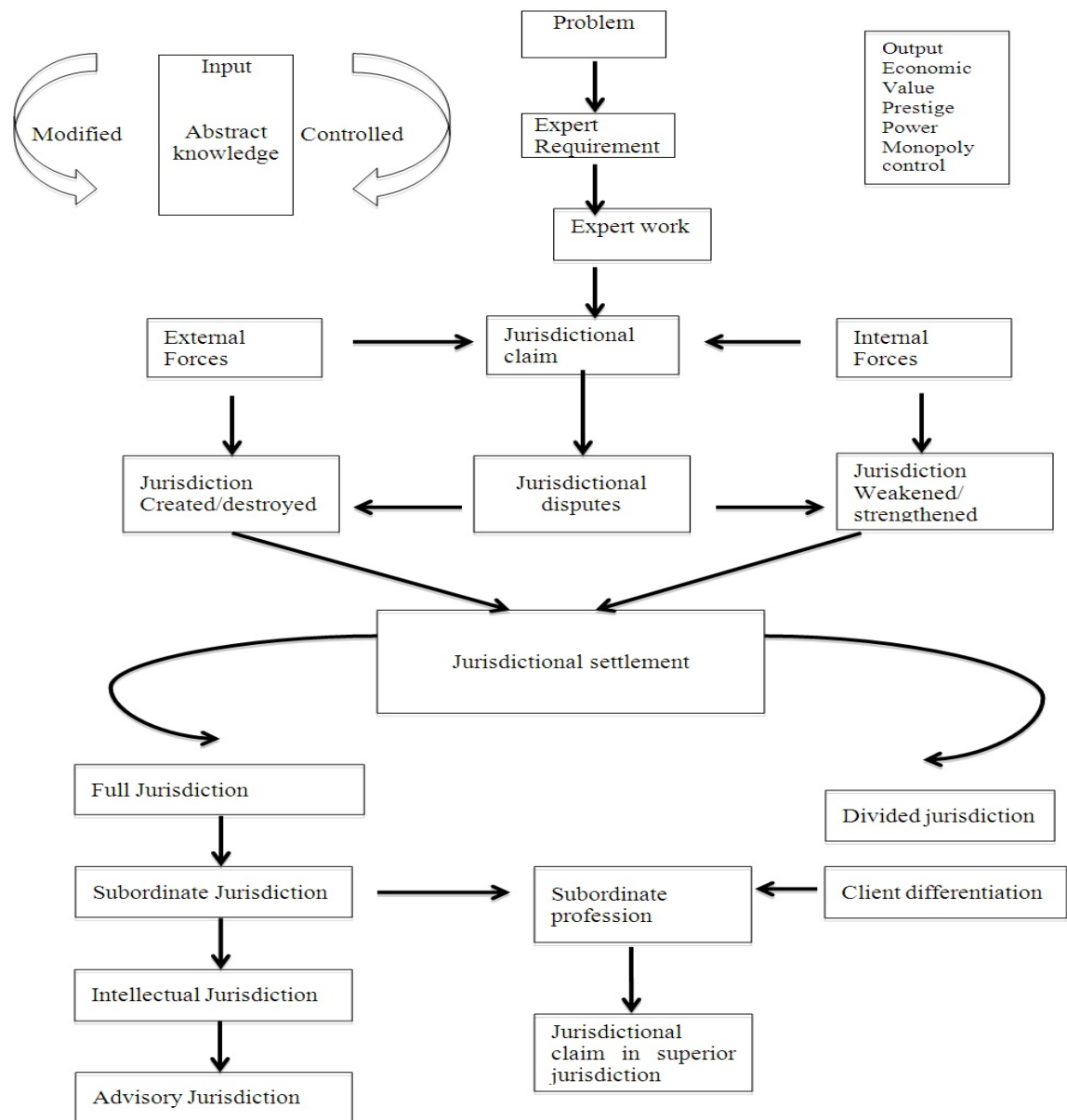


Figure 3.1 Abbott (1988) Theoretical Framework

3.4 System of professions: the case of “forensic accounting” in the UK

While the history of the professionalization of accounting in the Anglo-American societies has been studied for more than a decade (Abbott, 1988, Macdonald, 1995, Walker, 2004a, Sikka & Willmott, 1995, Radcliffe et al., 1994, Walker & Shackleton, 1995), this thesis focuses on exploring a new ‘knowledge-based’ occupation, namely

forensic accounting. Therefore, it is beyond the objectives of this research to outline how accounting became a profession in the UK. The next section provides a brief overview of the accounting profession's jurisdictional disputes in the UK.

3.4.1 Towards a brief history of the jurisdictional disputes over the practice of accounting in the UK

Turf wars between accountants and lawyers have a long history dating back to the beginning of the nineteenth century over bankruptcy matters²³ (McClelland and Stanton, 2004) and tax and insolvency practices (Abbott, 1988, Flood and Skordaki, 1993, Flood, 2010). Legal practitioners of that period employed accountants in the drawing up of accounts whenever the need arose. Sorting out the financial tangles of bankruptcy and liquidation was in fact the chief activity of accountants in those early days of entrepreneurial individualism (Brown, 1905; Stacey, 1954). By the middle of the nineteenth century, as a result of the growth of economic activity, and the concomitant regulation through legislation, a number of skills and an area of knowledge had emerged, in which accounting practitioners saw the possibility of claiming a jurisdictional area. Sikka and Willmott (1995) argue that the reaction of the law profession to the establishment of the accounting profession was different in Scotland to what it was in London. In Scotland, it was lawyers who formed the Scottish association and a large number of members of the Solicitors Society practised as accountants (Brown, 1968). This highlights the struggle of Scottish accountants to compete against lawyers who were well placed to maintain their jurisdiction in the expanding market of business services. In England, lawyers considered undertaking accounting work as demeaning; the price of such involvement was social ostracism for the elite of the legal profession.

It was important at this stage for accountants to gain the public respect and political/state patronage. The development of associations was deemed necessary and aimed to impose strict disciplinary practice of accounting and differentiate “reputable accountants” through examination, license and code of ethics:

“So long as any man may legally call himself an accountant, so long will some portion of the discredit attaching to the misdeeds of pretenders be

²³A number of accounting scholars challenged the thesis that the bankruptcy bill induced the organisation of Scottish accountants and hence the formation of first accounting association in Scotland (Walker, 2005; Boys, 1994; Cornwell, 1993).

incurred by everyone of those who are not striving earnestly to shake off the reproach. The public is not always able to distinguish between the status of a man who calls himself an accountant, and of a man who bears the title of Fellow, or Associate of an Institute, or Society of Accountants. Rightly or wrongly they will hold fast to the opinion that the difference is one of degree, simply, instead of being as it is, the distinction between a true member of an honourable and responsible profession and a mere outsider.”(The Accountant, 1875 as cited in Sikka and Willmott, 1995)

The British regulation of professions has remained a legislative affair, and Parliament has registered only a few professions, preferring to legally protect professional names while leaving jurisdiction to direct (i.e. workplace and public) interprofessional competition and discipline to private qualifying associations (Abbott, 1988). The development of the Joint Stock Exchange and the subsequent development of the Companies Act since 1844 (an external force) in the mid-nineteenth century have provided accountants with an opportunity to claim status in a new jurisdiction, which is audit. Sikka and Willmott (1995), criticise Abbott’s (1988) account of how the accounting profession was forced to seek this jurisdiction as a result of the loss and reduction in insolvency work. They argue that audit jurisdiction was already firmly established as a territory for accountants as a consequence of the requirement of audit contained in the Companies Acts and Bankruptcy Acts of 1862 and 1879. Either way, audit was a key area of jurisdiction, which has influenced the economic, social and political rise of the ‘modern’ UK accountancy profession. Table 3.3 summarises some of the literature that relied on Abbott’s (1988) framework to outline the history of the accounting professionalisation in the UK.

Table 3. 3 Literature that followed Abbott's (1988) theoretical framework in the UK accounting/auditing context

Authors	The main theme investigated	The critical results
McClelland and Stanton (2004)	Struggle between the legal and accounting profession over jurisdiction of the bankruptcy work between 1850 and 1880.	<p>Accountants were seeking recognition as a profession from the public and legal arena with regards to the jurisdiction of bankruptcy practice (Bankruptcy Act 1869). In order to claim its status in the jurisdiction, accountants:</p> <p>Formed its first qualifying association in Scotland (1853)</p> <ul style="list-style-type: none"> • Further attempts to form local associations were undertaken in Liverpool and London (1870), Manchester (1871) and Sheffield (1877) • Reputable accountants differentiated themselves from the unqualified, who took advantage of the opportunities provided by the bankruptcy Act • Extensive lobbying against criticism displayed in the media (for example Daily Telegraph and Sunday Times), law reports and legal press
Sikka&Willmott (1995)	Explored the establishment, extension and defence of the jurisdiction of the U.K. accounting profession in relation to: 1970s corporate collapses, pressures for harmonization with the EC directives, and bridging the critical scrutiny of accounting and auditing regulation by politicians, academics and journalists in the rise of financial scandals.	<ul style="list-style-type: none"> • The accounting profession's major challenge was posed by groups who were not competing with the accounting profession over their jurisdiction boundaries but their actions had a major influence on shaping the growth of the profession. • The UK accounting profession, when challenged by a variety of critics against its auditing practice, have enforced its image of 'independence', which supported the profession to define, defend and extend its jurisdiction • The profession used a number of tactics to enforce its image of "independence", including: a revisit of its ethical guidelines, refining its disciplinary arrangement, mobilize groups (state, politicians, media and academics) in support of its claims. • Audit provided the accounting profession with competitive advantage in on-selling non-audit services. This competitive advantage together with the mega size of the large accounting firms have protected the accounting jurisdiction from competition.
Pong (1999)	Explores the nature of inter-professional disputes between accountants and lawyers which occurred between 1985-1990 over off-balance sheet finances and the issuance of Exposure draft (49) "reflecting the substance of transactions in Assets and liabilities" by the UK Accounting Standards Committee.	<ul style="list-style-type: none"> • Frequent disputes between the accounting and law profession over the accounting standard setting process i.e. the interpretation of law in relation to the proper method of accounting for business combinations. • The jurisdictional dispute over off-balance sheet financing transactions has resulted in accountants developing new knowledge to consolidate their jurisdictional claims. • However, the law profession succeeded in sharing claims for this jurisdiction with accountants, where the Department of Trade and Industry (DTI) has facilitated settlements between the two professions: accountants are best qualified to decide the appropriate accounting practice and lawyers were superior on the interpretation of company law (According to Abbott (1988), settlement by the division of labour).
Edwards et al. (2007)	Studies the emergence of 'public accountant' in England during 1800-1880.	<ul style="list-style-type: none"> • Public accountants captured their jurisdiction in the workplace. • But because they failed to claim exclusive ownership of the knowledge base associated with business failure and bankruptcy, they pursued a number of strategies to persuade the public of their claim for jurisdiction in that area. (e.g. advertisement of their specialist knowledge in bankruptcy practice, attain customer satisfaction as a reference source of new work . • Public accountants have successfully obtained the state protection through the grant of Royal charter.

Such key events, together with state sponsorship of chartered status upon elite associations and its modernised laissez-faire approach towards economic management, has empowered accountants to defend and extend their accounting jurisdiction into a number of other areas, most notably those of tax and business services (Loft 1988; Sikka and Willmott, 1995), arenas the law profession name “the unauthorised practice of law” (Farrell, 1999)²⁴. The law profession’s attitude towards accountants was most vividly revealed in the much quoted statement by Justice Quaine in which he opined: “the whole affairs in bankruptcy have been handed over an ignorant set of men called accountants, which is one of the greatest abuses brought into law” (Sikka and Willmott, 1995). This tension between the two professions was never settled due to many factors. First, the interrelation and the interdependence of the two professions’ work in this jurisdiction resulted in vague regulation that failed to clearly specify, where “consulting” ended and “practice law” began. Second, the accounting profession define the scope of their work very broadly, where consultants provide expert witness services, fraud and forensic investigations, contract dispute settlement, merger& acquisitions, appraisals, financial planning, litigation support, alternative dispute resolutions and international tax advice. Having a broad definition of the type of work that is framed under their jurisdiction, made it difficult for the legal profession to claim that non-lawyers were practicing within its jurisdiction. The more the accounting profession expands its practice in other professional groups’ jurisdictional territories, the more powerful and prestigious it became (Abbott, 1988).

Third, accountants-lawyers appeared to be more persuasive to the public than lawyers who practice in law firms due to their extensive knowledge and expertise in both territories. Some may even argue that the large accounting firms are informally considered the world’s largest law firms; urging the legal community to “*stop hiding behind its pretentious veil of ethics and start looking for ways to compete*” (Farrell, 1999). Finally, the notion of professional judgement as applied to many of the work accountants undertake, has secured them a mysterious professional knowledge base that cannot be easily imitated by other competing professions (i.e. rival professions did not build the professional knowledge base to compete against the accounting profession).

²⁴What many accountants consider “consultancy work”, lawyers describe it as the practice of law (Farrell, 1999)

While this section provided some insights as to how jurisdictional disputes have influenced the development of the accounting profession in the UK, the next section focuses more on the specialist area of forensic accounting, the main area of investigation of this study. The next section aims to raise questions regarding the current status of forensic accounting and whether it has been signalled in the forensic accounting literature that forensic accounting is in the process of professionalisation.

3.4.2 Forensic accounting: towards professionalism?

Forensic accounting is not a recent development. Despite the claims of, for example, Bhasin (2007), that it is a new niche of the accounting profession, forensic accounting activity can be traced back to 13th century England, during which time auditors would carry out investigative activities in tandem with other duties, as illustrated by the 1285 Statute 13 of Edward I, c 11:

‘When the Masters of such servants do assign auditores to take their Accompt, and they are found in arrearages upon the Accompt... their bodies shall be arrested, and by the Testimony of the Auditors of the same Accompt, shall be sent or delivered unto the next Gaol of the King’s in those parts.’
(Brown, 1905: 76)

Furthermore, the present emergence of forensic accounting can be traced to 18th-century Scotland, when solicitors remitted²⁵ to accountants’ matters such as the ranking of the claims of various creditors (Murray, 1930). In the 19th century, significant concerns began to emerge regarding the social and economic conditions of Victorian Britain, which was overwhelmed with white-collar crime and fraud ‘as no other people before or since’ (Robb, 1992: 3; Edwards et. al, 2007) and so provided forensic work opportunities for accountants. However, it would probably be fair to suggest that it is only since the 20th century that the accounting profession begun to legitimate the forensic accounting practice under its consultancy arm.

Since the mid-1980s, forensic accounting has undergone a number of significant transformations that have altered its nature and essential functions. The most notable of these was the re-casting of forensic accounting beyond expert witnessing to include a wide range of investigative, advisory and consultancy services. This expansion created

²⁵In Scots law, a ‘remit’ was the reference of a matter to an expert for examination and report back to the court of that expert’s opinion.

an opportunity for large accounting firms to form independent multidisciplinary forensic accounting units to commercialise the profession and establish a strategic heartland monopoly (Williams, 2006). It also provided an opportunity for the accounting profession to claim jurisdiction over particular forensic services it offers.

A number of accounts were made to explain the factors responsible of the growth of this industry. For example, Williams (2005) suggested two competing historical narratives that emerged from his research as explanatory accounts of the industry expansion within the Canadian territories, which are: shift thesis and jurisdiction thesis. The first account, shift thesis, views the growth of the forensic accounting industry as a product of the erosion of the investigative capacity of the public police in terms of the lack of their resources, budgets and policies of investigating financial crime. The result is that the victims of financial crimes are no longer able to depend on the police for assistance, and thus are required to engage the services of the private-sector firms - primarily large accounting and law firms - if they wish to have their cases investigated expeditiously.

When it comes to investigating the growth of the forensic accounting industry in the UK, there might be factual inaccuracy of the shift thesis²⁶. In the UK, since 2009, government, public police and law enforcement agencies have moved rapidly to set up strategies to combat financial crimes. For example, the National Fraud Strategic Authority was established to 'take forward UK government response to fraud building on recommendations of fraud review' (NFSA, 2007) and a new National Lead Police Force for Fraud was established within the City of London Police. This Force is already involved in 71 cases across the UK with an estimated cost to victims of some £1 billion. In addition, the UK government launched a campaign named 'fighting fraud together: the strategic plan to reduce fraud', which was established by governmental institutes such as Home office, Ministry of Justice, Serious Fraud office, HM Revenue & customs, FSA (Financial Service Authority), Fraud Advisory Panel, Financial Fraud Action UK and the Federation of Small Businesses to place measures to prevent, detect, disrupt and

²⁶Williams (2005) criticised the shift thesis and described it as practically untenable. His main argument is that most victims of economic crime (large corporations make up the largest number) are loath to report their cases to the police given the costs and liabilities associated with invoking a public model of justice that does not come to serve their own private needs and interests rather than the 'well worn story of inadequate police resources and the inability of public agencies to respond to their cases in a timely and effective fashion' that emerged from his research.

punish fraudsters both within the governmental sectors and other affected sectors²⁷. Because of the analysis questions' (Williams, 2002) results suggestions, I am interested to investigate what triggered the need for forensic accounting services in the UK and what growth was witnessed in this area of practice. This is part of investigating the professionalisation process of forensic accounting in the UK, using Abbott's (1988) system of disturbances lens described earlier in this chapter.

The second account of this historical narrative that Williams (2005) proposed is the jurisdiction thesis (influenced by Abbott, 1988) roots the growth of the forensic accounting industry to the construction and marketing of the industry itself. The jurisdiction thesis frames the industry as a form of professional labour, which is directly responsive to the needs and interests of the corporate community. In that sense, industry practitioners manufacture a carefully crafted organisational appearance which lends itself to the types of legal frames and adjudicative possibilities - this legal landscape was found essential to the marketing and selling of the end product - best suited to their corporate clients' desires while limiting the unwanted forms of exposure and scrutiny. The strategies and mode of commodification²⁸ used by the accounting profession in the UK forensic accounting industry is an area that is largely overlooked, if ever investigated.

Despite the dramatic expansion of the forensic accounting industry in recent years and its growing prominence as a first line of responses to economic crime, accounts of the forensic accounting industry have been limited. With the exception of some scattered references affixed to discussions of risk, security and regulation (Power, 2009, 2007), the forensic accounting discipline has been largely overlooked within the wider accounting, legal and sociological literature. This oversight is problematic, given not only the empirical questions posed by the emergence and subsequent growth of accounting firms acting as key providers of financial security, but also a position of theoretical concerns of the uncertainty of the governance and regulation of that industry.

As discussed earlier, Abbott (1988) suggests that for professional groups to be able to effectively promote their own professional brands and assert jurisdictional claims over a given conceptual territory, they use a certain mode of expertise that best suits their own

²⁷More information is to be found on

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118501/fighting-fraud-together.pdf

²⁸i.e. maximising the value of its commodity

skills and competencies, namely, professional expertise. Within this context, one could look at the forensic accounting industry's professional knowledge as quite diffused, depending not only on accounting expertise but also a diverse spectrum of investigative skills and aptitudes, such as the ability to mine databases for information, as well as far more pragmatic knowledge of law, business and finance. According to Williams (2006) analysis of the Canadian forensic accounting industry, this is because of this diffusion, an opportunity was created for the previously excluded professional groups to enter the field and challenge the exclusive jurisdiction over the field enjoyed by Chartered Accountants a decade earlier.

This brings us to the next set of research questions:

If the skills of accountants, lawyers, economists, fraud specialists and loss prevention specialists continue to be the main driver of this emerging and extremely profitable territory, what are the UK accounting profession's strategies to fight for its jurisdiction within the forensic accounting practice?

It is not obvious what path of professionalisation forensic accountants undertook, what disturbance their system of professionalisation had to face, how they reacted to these chains of disturbance, what intra and interprofessional competition the forensic accounting had to face and what jurisdictional settlements accountants had to settle for. It is the aim of this research to empirically investigate these issues.

3.5 Conclusion

This chapter set out to review the extant literature on the subjects relevant to this study. Three key themes are addressed here: firstly, the general sociology of professions literature, secondly, Abbott's (1988) theory of the system of professions, which will be adopted in this study, and, thirdly an insight into the prior literature on the professionalisation of accounting in the UK, raising important questions with regards to the professionalisation system of forensic accounting.

The sociology of professions moved its focus from studying the characteristics and structure that differentiate a profession from an occupation to studying how and why occupations come to constitute a social group and the impact of this constitution on the division of labour. In this interactionist approach, numerous scholars have examined the development of professions, including the struggles to establish power and professional dominance (Freidson, 1970; Halliday, 1987; Larson, 1977, Macdonald, 1995), while others have explored the factors that limit or constrain the power of professionals (Johnson, 1972; Ritzer & Walczak, 1988; Wilensky, 1964). They draw inter alia on Marxist or on the Weberian sociology of professions to develop models to understand the processes involved in the formation of these professions that thrive for two goals: market control and social mobility. The literature employing a Weberian approach interprets professions as engaging in conflict in the pursuit of market or social closure to exclude non-professionals from accessing the market and hence restrict economic benefits to outsiders (Collins, 1990a; Macdonald, 1995, Larson, 1977 and Sian, 2006).

Abbott's (1988) approach, while inspired by the critical school, differentiated its framework by placing special emphasis on interprofessional competition and jurisdictional disputes as real determinates in telling the story of a profession's development. Professions are defined by the work they do and the link between a profession and its work is termed its 'jurisdiction'. Since professions exist in an interdependent system, the formation or development of a profession is conditioned by its ability to create a new jurisdiction, to seize a vacant jurisdiction, or to capture a jurisdiction from another profession, which has previously held it. Therefore, professions are often in dispute over the boundaries of their jurisdictions. Such disputes commonly arise from internal or external disturbances to the system of professions

(Abbott, 1988: 86–113). External disturbances originate naturally or through technological, organisational or cultural imperatives. Internal disturbances are the forces changing the system from the inside, such as the development of new knowledge and skills or transformation in the structure. To expand or defend their jurisdiction, professions claim expertise or knowledge about the particular jurisdiction. Such claims can be made in the legal arena, the public arena or the workplace arena and result in jurisdictional claims from competing professions being settled in a number of different ways. This study will draw upon this framework to investigate the system adopted by the accounting profession to develop and maintain a status in forensic accounting practice in the UK.

A summary of research questions discussed in this chapter are:

RQ1: What does the construction of the meaning of “forensic accounting” reveal about the development of forensic accounting in the UK?

RQ 2: What professionalisation strategy is employed by the accounting profession in the forensic accounting practice?

- RQ 2a: Which areas of forensic accounting practice (professional work) did the accounting profession claim professional expertise in? Why did forensic accounting practicing firms witness growth in those areas of practice (i.e. extended jurisdiction)?
- RQ 2b: Why was the accounting profession successful in legitimating the forensic accounting practice? What are the strategies that the accounting profession used to build a professional image as the main provider of forensic accounting services in the public and legal arena?
- RQ 2c: What are the external factors (disturbances) that affected the demand for forensic services, and how did those external factors impact the accounting profession (i.e. did it create or abolish new opportunities in the forensic accounting practice, did it change internal knowledge and skills requirement, did it require the employment of other professional groups)?
- RQ 2D: What are the abstract, professional knowledge and skills of the forensic accounting practice?
- RQ 2E: Why did the accounting profession face inter-professional competition within the forensic accounting practice? What jurisdictional settlements did the

accounting profession have to settle for?

RQ3: What does the intra-professional relationship reveal about the structure of forensic accounting market in the UK?

RQ 4: If auditors appointed by a company provide forensic services (separate from audit services) to management or the audit committee, can these services impair the audit firm's independence? If so, under what circumstances?

RQ5: Why is the forensic accounting practice unregulated in the UK?

Chapter 4

Research Design and Methodology

4.1 Introduction

In chapters two and three, the characteristics, practices and developments of forensic accounting and the concepts of professionalisation were explored. The findings of the two chapters indicated the under-researched nature of aspects related to the professionalisation of forensic accounting in accounting research, particularly in the UK. Although a wealth of accounting researchers have used interpretive methodologies to examine issues related to the sociology of professions and the accounting profession (e.g. McClelland & Stanton, 2004; Radcliffe et al., 1994, Edwards et al., 2007), little attention has been paid to this specific branch of the accounting profession, namely, forensic accounting, and how it is safeguarded within the accounting domain. Therefore, this chapter aims to develop a methodological framework suitable to investigate this under-explored area. This study shall take into consideration the sociological lens used in this study to investigate the factors (internal and external) that may have disrupted or strengthened the accounting profession's capacity to secure and expand its domain in the forensic accounting arena and the channels of struggles between accountants and non-accountants (both within and outside the accounting profession) to defend and extend their jurisdictional claims in the forensic accounting practice. In doing so the researcher must acknowledge the subjectivity of this pattern of research, and how this subjectivity and researcher's own subjectivity was minimised during the research process and progression.

In essence, this chapter aims to describe how the lines of investigation in this study were carried out. It seeks to outline the researcher's philosophical positioning in terms of the chosen epistemology, methodology employed and the research techniques used in the investigation of the forensic accounting professionalisation. Fundamentally, the chapter considers the two dominant epistemologies that have shaped social science research, namely the positivistic approach and the interpretive approach, where a justification of selecting interpretivism as the research approach is provided. Most importantly, this

chapter also considers the difficulties the researcher faced in getting access to most senior forensic professionals, given the confidentiality of this branch.

The chapter is divided into five main sections including this introduction. The second section of this chapter considers the traditional methodological approaches utilised in accounting research, where the researcher methodological stance of social constructivism is reasoned. The third section provides a justification of the usage of multiple case-studies to address the thesis research questions, with particular emphasis to discuss the ethical positioning of the researcher. The data collection methods employed in this research, namely, semi-structured interviews, survey questionnaires and archival documentation, and the process of collection are also discussed in this section.

The fourth section of this chapter describes the process undertaken in determining an appropriate strategy for the analysis of data. Thematic analysis technique was found suitable, given the interpretative nature of this study. The final section concludes the chapter.

4.2 Positivist or Interpretative Accounting Researcher: A Critique²⁹

A significant body of mainstream accounting research is characterised by a positivist methodological perspective and an emphasis on quantitative methods, which failed to address accounting's complex social ramifications (Baker & Bettner, 1997, Sikka, 1991, Broadbent and Guthrie, 1992). Laughlin (1995) indicates that mainstream accounting research has been pre-occupied by an ontological belief about a generalisable world waiting to be discovered and a high degree of reliance on examining quantifiable 'variables' using prior definable theory to test specific hypothesised relationships and then supposedly be subject to processes of verification. In this process, Positivist

²⁹The researcher decided to thoroughly explain two paradigms and exclude the critical paradigm from the discussion. As the critical paradigm concentrates on the role of interest, conflict and unequal distribution of power in providing the potential for radical change (Hopper & Powell, 1985:432). The reason for excluding the critical paradigm from the research discussion is the fact that this current research is concerned with providing explanations of the society, as it is, not finding explanations of radical changes, with political values being the main concern.

researchers adopt the role of observers of an independent and pre-existing reality; they remain distant when conducting their research and not allow values and bias to distort their objective views. Logical reasoning is applied to the research so that precision, objectivity and rigour replace hunches, experience and intuition as the means of investigating research problems (Collis and Hussey, 2003). Therefore, the personal relationships of accountants which encounters emotions, feelings and lived experiences which cannot be represented as variables are absent from this line of accounting research (Kyriacou, 2000). For example, for many years, investigations into the audit independence dilemma have used potential explanatory variables such as economic factors and regulatory factors to test the significant impact of those factors on audit independence (DeAngelo, 1981b, Firth 1980, Lindsay, 1990). The perception and experiences of the relevant social actors (such as auditors, auditees, competitors, regulators) as to why such factors influence audit independence, what safeguards are put in place to protect the audit independence and most importantly what changes need to be made, will remain unanswered questions if such an approach is to be followed.

Habermas (1978) writes that this approach's tendency to treat people as natural scientific objects is ignorant of the self-interpretive nature of human beings who create the structures around them. Furthermore, the interrelationships of the investigator and what is being investigated are impossible to separate and impossible to generalise from since it is merely impossible to find two phenomena that attain the same characteristics or attributes, particularly in a profession like accountancy (Smith, 1989). Positivistic accounting researchers usually employ a highly structured methodology, such as controlled experiments, structured interviews or mathematical methods of analysis in order to facilitate replication (Chua, 1986, Gill and Johnson, 2002), which has been said by Baker and Bettner (1997) to 'have been so exhaustively employed that they have reached a point of diminishing returns' (p.303). Finally, positivists' claims that phenomena are better understood if they are reduced into the simplest possible elements (i.e., reductionism) are considered neither analytic nor empirical (Morgan and Smirchich, 1980).

This thesis considers the ontological and epistemological utilised in the positivist approach is inadequate in investigating the professionalisation project of forensic accounting, particularly when the research aims to investigate the role of different social actors in this process of professionalisation. Such framework cannot be represented in a

mathematical equation nor an experimental observation. The interpretive approach, on the other hand, was found to be more suitable for this study because it focuses on investigating the subjective and intersubjective meanings and interpretations of social actors which are created as they interact with the world around them (Orlikowski and Baroudi, 1991). Ontologically, interpretive researchers hold the position of **constructionist**, which implies that social reality is the result of interactions between actors in real social contexts³⁰. Epistemologically, interpretive researchers are highly relativistic, focusing on describing how different meanings held by different persons or groups produce and sustain a sense of truth, particularly in the face of competing definitions of reality. Methodologically, the interpretivist takes a more detailed and thorough analysis of the social situation is required (Burrell & Morgan, 1979). As such, in-depth studies of the ‘contextualities’ of interaction of the actors are preferred (Chua, 1986). Ethnography and case study are the major research strategies used, they employ, among other things, participant observation and semi-structured interviews as major qualitative techniques to obtain data.

There have been many calls in the accounting domain to consider the application of such interpretive methodologies, which recognise the relationship of accountancy to the social and symbolic aspects of society, to obtain richer research insights (Chua, 1986, Hines, 1988, 1989, Baker and Bettner, 1997, Hopwood, 1983, 1987; Williams, 1989; Dillard & Nehmerm 1990; Power & Laughlin, 1992, Cooper, 1981). For example, Hopwood (1996:218) urged for a new dynamic in audit research: *‘one that seeks to ground our understandings of the subject in the organizational, regulatory and societal contexts in which it functions. Rather than isolating particular elements of the audit task and context, the emergent approach seeks to situate our knowledge of auditing in the context of other understandings of modern firms, organizational processes, regulatory initiatives and wider social discourses.’*

Hines (1989), using a social constructionist lens, argues that the accounting profession’s continuous development of conceptual frameworks reflects their attempts to create a political resource in order to maintain their social identity, increase their professionalism and reduce the threat of government intervention and competing with other groups.

³⁰ Burrell and Morgan (1979) argue that: “The social world is no more than the subjective construction of individual human beings who, through the development and use of common language and the interactions of everyday life, may create and sustain a social world of intersubjectively shared meaning.” (p. 260).

Hines (1989, p.74) writes *Viewing CF projects as constituting a strategic maneuver to assist in socially constructing the appearance of a coherent differentiated knowledge base for accounting standards, thus legitimising standards and the power, authority and self-regulation of the accounting profession, seems to explain why CF projects are continually undertaken by the profession, notwithstanding that each project is an apparent failure from a functional or technical point of view.*'

In a similar vein, Burchell et al. (1980) as cited in (Chua, 1986:618) point out that we know how accounting numbers ought to function but have little knowledge of the meanings and roles that they actually undertake. Unless such information is obtained, one is left with an abstract image of the accounting discourse, fossilized in journals and textbooks and unrelated to practice. Additionally, Kaplan (1984:415) has criticised academics for their reluctance to "get involved in actual organisations and to muck around with messy data and relationships".

In summary, this study found serious flaws in the positivistic methodological framework and therefore, decided to break away from the mainstream accounting research and pursue more appropriate methodological framework for achieving this study aims and objectives. The next section justifies the researcher's philosophical positioning, that is taking the stand of an interpretive researcher.

4.2.1. Researcher Positioning: Interpretive

According to the preceding discussion, this research lends itself more to the interpretivism because it is a more suitable vehicle for achieving the research objectives and answering the research questions outlined in chapter 2 and 3. The researcher agrees with Cooper and Sherer (1984) that the accounting functions should be looked at within the broader structural and institutional environment. In that way, the researcher accounts for the existence of political, social and economic forces in society and how their inter-relationship impacts the construction of accounting. For example, the existence of competition from inside the profession (or from the outside) should not be underestimated because the lines of struggles and tensions such political rivalry creates, shapes and defines the structure and future of any professional group work. Thus, the researcher believes which changes that occur every day in society's norms, values and beliefs are severely affected by numerous internal and external societal and human

factors and should not by any means be looked at as fixed of concrete reality. Hence, the study is underpinned by: the ontological assumption that ‘reality is subjective’, the epistemological assumption that only by forging close contact and interaction between the researcher and the subject of the study can rich data emerge, and, the methodological assumption that providing detailed analysis of qualitative data (Bauer and Gaskell, 2000), and the use of other within-method triangulation techniques, provides a far richer detail than would otherwise been introduced using the positivistic paradigm.

The focal point of the research is to understand the professionalization path of the forensic accounting practice using Abbott’s (1988) framework. More specifically, the aim is to investigate the perception of the main social actors in the field in themes like: how the meaning of ‘forensic accounting’ is socially constructed in their day-to-day practice, how the accounting profession legitimised the practice of forensic accounting under its jurisdiction, what inter and intra-professional conflicts the profession faced, which forensic accounting practices the participants consider to compromise their independence as auditors and how the self-regulatory nature of the practice affects its professionalisation process. Obviously, this research theme is centered upon social actors’ behaviour and their interactions with the social environment. Moreover, forensic accounting practice is an area where laws and regulation change constantly. These changes will have a severe impact on the structure and practice of forensic accounting. Hence, given the uniqueness and ever-changing nature of this speciality area, the interpretive methodological approach was found to be a better approach to investigate such phenomena.

The researcher certainly appreciates many of the concepts implied by the critical accounting theorists and uses these concepts in the course of the research, e.g. critical theorists are interested in certain macro-structural phenomena, where the accounting profession is viewed as an aspiring occupational monopoly that seeks to further its own social and economic self interests through (a) particular professional ideologies (for example, the universal service ethic), and (b) the policing of changeable and ambiguous relations with other professions, corporations and the government (Puxty, 1984).

However, this paradigm is not followed closely, primarily because it is intended to correct any injustice and inequalities in the social reality. I, on the other hand, am more interested in investigating and interpreting the current phenomenon, and hence presenting to the reader an investigation of the professionalisation process of the

forensic accounting practice. Did forensic accounting follow the normal pattern and path of professionalisation as presented by the sociology of professions literature, or did it deviate? And if it did, what professionalisation route did forensic accounting in the UK follow? As Laughlin (1995:68) puts it: “those in the middle of this continuum [interpretive researchers] are more strategic in their attitude to change-open to maintain certain aspects of current functioning but also open to challenging the status quo.”

Based on what has been discussed so far, the research approach undertaken in this study is based on the interpretive research philosophy. Saunders et al., (2007) identify two main research approaches, which are the deductive and inductive approaches (See Saunders et al., 2007 for a detailed description of the two approaches). This research combines deductive and inductive elements (Saunders et al., 2007; Bryman, 2001; Creswell, 2009; Bryman and Bell, 2007). As illustrated in Figure 4.1, in the literature review phase, the researcher found that Abbott’s (1988) professionalisation thesis is a fruitful approach to investigate the professionalisation process of forensic accounting. However, the researcher did not intend to ‘test’ Abbott (1988) theoretical framework or act as a direct evidence of its validity. Abbott’s (1988) theoretical framework was used in the context of this study as an informative base to make sense of the study themes and data. But as it can be seen in figure 4.1, in each and every stage of the research process, the researcher adapted an iterative and recursive approach, where analysis of the data and the development/refinement of the theoretical framework was informing and guiding each other. For example, when the researcher was analysing her themes, she was not trying to empirically enforce confirmable relations between the data and his theoretical framework. On several occasions, the data challenged Abbott’s (1988) framework and the researcher then proposed improvements (see chapter 6 for more details). Therefore, the emphasis here was on using (and in the process, developing) the analytical framework in order to make sense of the empirical data and identifying the particular contribution of the thesis to existing knowledge and understanding of forensic accounting in the UK.

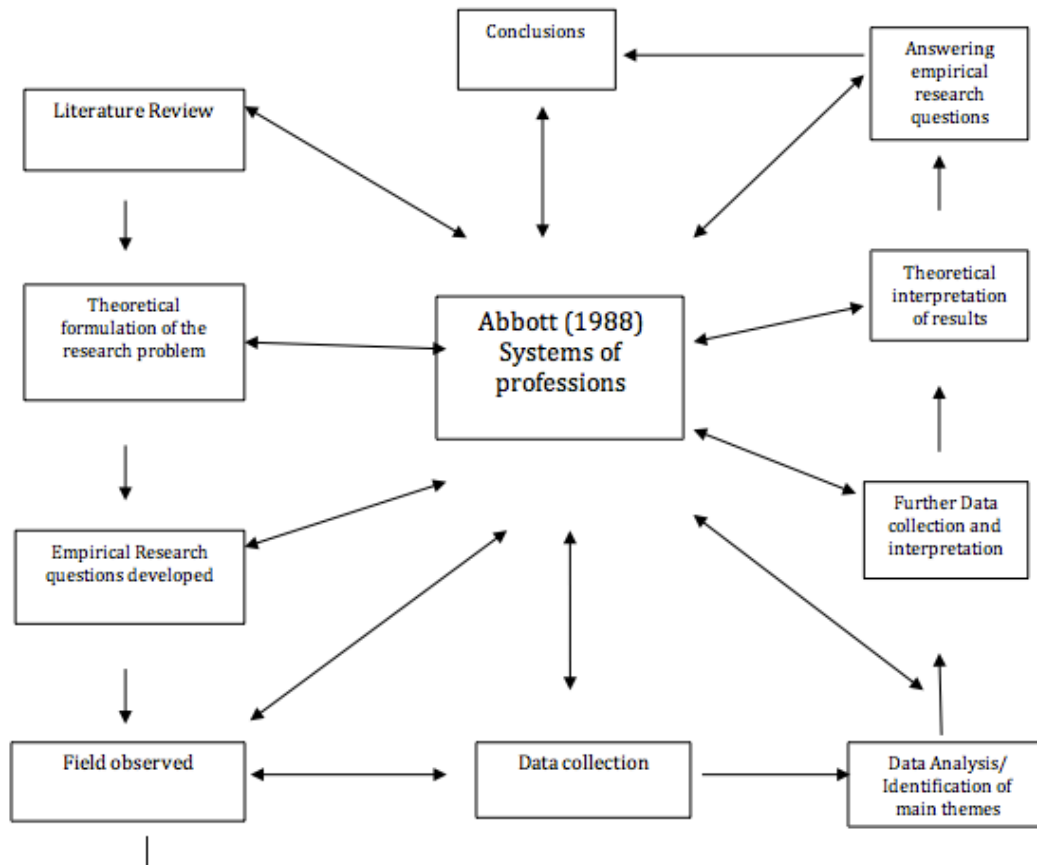


Figure 4.1 Research Approach

4.3 Research strategies of Inquiry

As an interpretive researcher, I was interested to put myself in the field in order to adequately understand the process of professionalisation, how it works and develops within the context of actual organisation, how the actions/language/strategies of the social actors influence this process. In hindsight, quantitative strategies, such as controlled laboratory experiments and deductive analysis from well-designed models, were automatically excluded from my consideration because as (i) they do not bring *depth* of understanding to the analysis (Mabry, 2008); and (ii) themes and concepts still had to be constructed in the first place as there was little research on this topic in the UK (Denzin and Lincoln, 2005; Mabry, 2008).

Since this study is more concerned with exploring and interpreting human behaviour, I was more inclined to converse and interact with forensic accountant experts in order to understand their perceptions regarding such issues as what forces have allowed the

accounting profession to extend its practices in new areas of the forensic accounting practice, who the powerful actors are in the field of forensic accounting and what competitive forces they face in this unregulated market. *Qualitative strategies*³¹ were found to be more appropriate to address those questions. According to Denzin & Lincoln (2005:3): *'Qualitative research is a situated activity that locates the observer in the world. It consists of a set of interpretive, material practices that make the world visible. These practices transform the world. They turn the world into a series of representations, including field notes, interviews, conversations, photographs, recording and memos to the self. Qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them.'* There are eight common strategies of inquiry for qualitative research: (a) the case study, (b) ethnographic and participant observations, (c) phenomenology, ethnomethodology and interpretive practice (d) grounded theory, (e) the biographical method, (f) the historical method, (g) applied and action research, and (h) clinical models (Denzin & Lincoln, 2005).

Choosing the right strategy for this study was a difficult decision, especially since the researcher initially aimed to conduct a four-week period of participants' observation in one of the big four forensic accounting units and in one forensic boutique firm. At first, the researcher was promised by the Big Four partner who was interviewed that she could spend some time at the firm, talking to forensic accountants, looking at some forensic reports and the methodologies applied. The researcher tried to approach the partner as agreed in June 2012 to be included as part of their summer internship scheme, but received no response. The researcher sent another 'reminder' email to the partner in July 2012 but, again, received no response. At this stage, the researcher tried to approach other forensic accounting firms but there was strong reluctance on the part of the professional service firms to assist the researcher with in-depth inquiries due to the sensitivity of client information and the potential interference with firm operations.

³¹ Qualitative research is often regarded as providing rich data about real life people and situations. However, qualitative research is also often criticised for lacking generalisability, being too reliant on the subjective interpretations of researcher and being incapable of replication by subsequent researchers. While these critiques are acknowledged, this research, as indicated earlier, does not aim at generalising the research results. Additionally, as an interpretive researcher, I believe that I am part of what of being researched and very aware of the biases that could be created of affecting and being affected by the research. Finally, while this research might not be subject to replication, it will definitely be an interesting area for subsequent researchers to build on the contributions that this thesis will generate.

Similarly, the forensic boutique senior partner has at a later stage refused access to the firm due to his busy schedule and because, during the requested period, they will be working on a very high profile case where it will be impractical to have outsiders observe such confidential information. The email received from the senior manager read as follows: ‘Sarah thanks for reminding me about this – things tend to get a bit buried post-holiday. I have been looking at our workflow over the summer – it looks likely that we will be mostly involved with a case which requires extremely high security measures (including high-level security clearance for everyone in the office). If this does happen then it is unlikely that we will be able to bring anyone else into the office. I will keep you posted though if the situation changes’.

The researcher, however, did not hear from the senior manager again. This has resulted in excluding some of the qualitative strategies such as participant observation.

Other research strategies are beyond the objectives of this study. For example, action research requires the researcher to work collaboratively with participants to change their setting and circumstances. Additionally, grounded theory was also eliminated because it is a purely inductive approach where the researcher begins with an area of study or interest and then allows theory to generate from the data (Glaser and Strauss, 1967). The current researcher, on the other hand, has extensively explored the sociology of profession literature and chosen Abbott’s (1988) theoretical framework to be the baseline where his work informs and is informed by the data. After weighing the different strategies, the researcher explored the case study strategy and found it be the most suitable in accommodating the objectives of this study. The next section outlines the case study approach employed in this study.

4.3.1 Case Study Strategy

Simons (2009:21) defines a case study as:

“An in-depth exploration from multiple perspectives of the complexity and uniqueness of a particular project, policy, institution, programme or system in a ‘real life’ context. It is research-based, inclusive of different methods and is evidence-led. The primary purpose is to generate in-depth understanding of a specific topic (as in a thesis), programme, policy, institution, or system to generate knowledge and/or inform policy development, professional practice and civil or community action”

The use of a case study represents a form of systematic observation and aims for an in-depth understanding of the context of a phenomenon (Yin, 2009). By looking at the

subject from many and varied angles, one can get closer to ‘why’ and ‘how’ something has happened (Thomas, 2011). Such deep understanding is offered through “a process of inquiry about the case and the product of that inquiry” (Stake, 2005:444) based on a conceptual structure that addresses a limited number of research questions (Stake, 2005). Research questions are explored in light of the particularities of the case, such as its context, and the operations and activities of key actors. A researcher’s interaction, understanding, description and reflection on these particularities help shape the analysis of the case (Silverman, 2001; Stake, 2005). Thomas (2011) suggests that every case study is unique and is defined not so much by the methods used in the study as by the boundaries the researcher puts around his/her case. A researcher can choose whatever methods and subsidiary design frames will help in answering the research questions. However, in case studies, data is usually collected from a small number of organizations through interviews, participant observations, questionnaires and written materials (Yin, 2009).

According to Yin (2009:8), case studies seem to be the preferred method when (1) ‘how’ and ‘why’ questions are being posed, (2) the focus is on contemporary events within some real-life context, and (3) the investigator has little control over the contemporary events and the related behaviors are not to be manipulated.

Case study research has recently become a venue for auditing based research. For example, Pentland (1993) studied the activities of two audit teams in an effort to better understand how auditors become comfortable with the numbers in financial statements and the representations provided by management. Using multiple methods to collect data, including observation, interviews, and verbal protocols of working paper reviews, he collected over 200 pages of notes, from which he was able to relay the personal experiences and emotions of the auditors, placing them within theoretical analyses of identity and self-presentation. During his case study analysis, Pentland noted how auditors are situated in the context of intensive, ongoing interactions with other members of the engagement team, their firm, the client’s organization, and their profession; they work in cluttered, crowded conference rooms. Pentland therefore encouraged many researchers (e.g. Radcliffe 1999; Sharma 2004; Gendron, Cooper and Townley, 2007; Justesen and Skaerbaek 2010) to reflect on audit behaviors in the context of their work not in laboratories. The researcher also agrees with Pentland’s (1993) analysis of the audit/accounting industry and how it should be studied.

The professionalisation of forensic accounting in the UK is an unexplored area of research within both the accounting literature and the sociology of professions literature. It was important for the researcher to choose a research strategy that allowed for an in-depth investigation of the nature of forensic accounting practice, its practitioners, audience, competitors, its environment, ethics and regulation; to fundamentally portray a full picture of what is forensic accounting and what role politics, power and values play in its development. Cooper and Morgan (2008) argue that case studies of practices in all areas of accounting emphasize the importance of in-depth understanding of situations and actors, conflicts about practitioners' values and interests, and operations of power. The researcher agrees with this view of how case studies can enrich our understanding of how accounting practices actually operates in real life: 'research based on a few carefully selected observations has an advantage for understanding and communicating detailed aspects of business activities compared with studies using large samples and the relative few variables that can be observed for the whole sample.' (P. 164)

When the researcher was making the decision to employ a case study strategy, she considered what limitations and difficulties such a strategy could bring. According to Yin (2009), case study research suffers from three major disadvantages. First, the researcher might fail to handle the data in a systematic manner. In order to avoid that, the researcher has developed and used a case study protocol to properly handle her data and ensure the reliability of her results. Second, because case study research focuses on investigating a small number of cases, the ability to generalise cannot be achieved (Stark and Torrance, 2005). However, Yin (2012) differentiates between two types of generalisations, namely statistical generalisation and analytic generalisation. In case studies, theoretical propositions generalisation is far more important than generalization of populations or universe. Hence, statistical generalization is not a limitation in my study which supports the *depth* rather than *breadth* of results. Third, the period needed to design and conduct an efficient case study may be too long and they may result in massive, unreadable documents. This criticism might be accurate in the case of studies that use participant observation and ethnography as data collection methods. However, this study relies on interviews, survey questionnaires and archival analysis to answer the research questions and achieve the research objectives.

The case study research in the context of this study employs three phases of data collection as shown in figure 4.2. In the first phase, semi-structured interviews were conducted with the aim of exploring the perception of key individuals regarding the nature of the forensic accounting market. The preliminary results from this stage were used to develop the survey questionnaire (the second phase) that was distributed to the forensic accounting partners/managers of the top 100 accounting firms in the UK, the ICAEW FEWG register and NIFA register. The last phase employed in-depth interviews and documentation analysis to deepen understanding of the major themes emerged from the previous two phases. The next section aims to describe the details of the case study strategy and data collection utilised in this study.

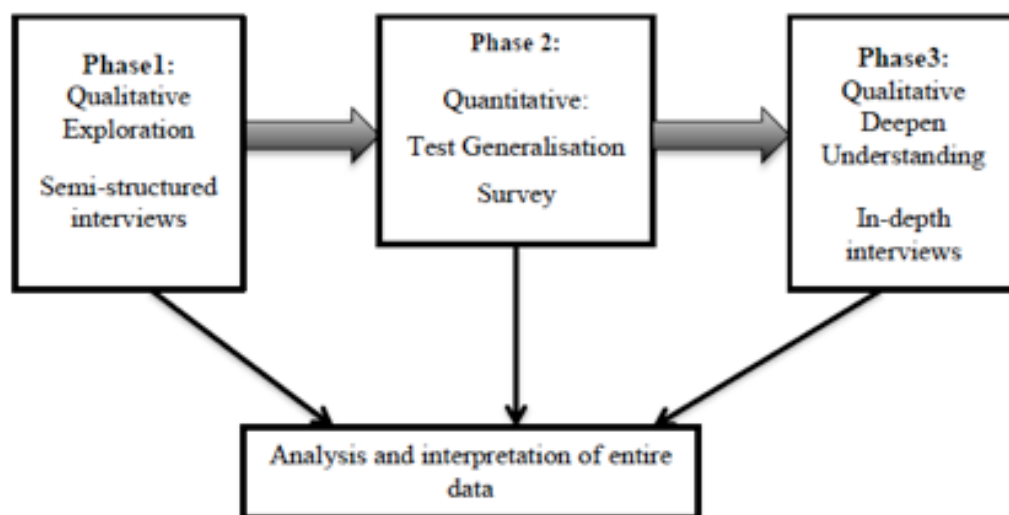


Figure 4.2 The Case Study's Three Empirical Phases

4.3.1.1 Single and Multiple Case studies

Case studies can be single or multiple (Yin, 2009, 2012). Yin (2009) identifies a rationalisation framework to help researchers to decide whether to analyse one or multiple cases. The single case design is justifiable when the case represents (a) a critical test of existing theory, (b) rare or unique circumstances, or (c) a representative or typical case, or where the case serves a (d) revelatory, or (e) longitudinal purpose. For the purpose of this study, the single case study design is excluded. The researcher is interested to look at the forensic accounting market from a number of dimensions (i.e.

practitioners, regulators and rivalry), therefore, the single case study will eliminate important features discussed in this thesis theoretical framework (more details in chapter 3). For example, while a single case study of a big four firm forensic accounting unit would provide ‘rich’ primary data and might develop a full picture of the professionalisation of the forensic accounting practice within large accounting firms, it does not properly address the research questions that are centred on themes like intra-professional competition, the empowering role of key players in shaping the practice of forensic accounting, the ethics and independence perception of different groups within the forensic accounting industry.

The researcher was more inclined to employ the multiple case study design because this design allows the researcher to evaluate the forensic accounting market from the perception of providers (i.e. Big Four forensic accounting units), regulators (i.e. UK professional bodies) and rivalry providers (i.e. Forensic boutique firms). Conducting multiple cases enabled the researcher to develop a rich case description, conduct critical analysis of the process of professionalisation and ‘cross-check’ for consistency across the sub-units of analysis. Additionally, the evidence from multiple cases is more compelling and is therefore more robust (Herriott & Firestone, 1983). The main unit of analysis in this study is the professionalisation of forensic accounting practice in the UK³², which is addressed from the perspective of three sub-units:

- Forensic accountants in Big Four companies (main providers)
- Forensic accountants in specialist corporate investigation firms (rivalry group)
- ICAEW’s forensic accounting and expert witness special interest group members (regulatory group)

At the initial stage of designing the thesis’s case study, the researcher was very interested to incorporate the perception of law professionals since they are not only

³²Although the professionalisation of forensic accounting practice is the main unit of analysis, this study also explores a number of interrelated sub-units of analysis which are: (1) the social construction of the forensic accounting practice (this includes understanding the definition of forensic accounting by practitioners, the skills and education needed to be a forensic accountant, the main services provided to their clients), (2) the implication for the independence of large accounting firms that provide forensic consultancy services to their audit clients and the UK regulations addressing this notion and, (3) the lack of forensic accounting standards or framework and the implications for good quality practice of the absence of these standards. These interrelated sub-units of analysis were investigated using in-depth interviews and survey questionnaires as part of the overall case study design.

considered a major client (law firms are hired on behalf of troubled companies and instruct forensic accountants) of this type of services but are also increasingly becoming a rival group to the accounting profession. Harris (2011) reports that in recent years, law firms have started to increase their own in-house forensic teams to provide forensic accounting services directly to their clients. However, every single attempt made by the researcher to reach law professionals was unsuccessful. The researcher emailed almost all lawyers who specialised in forensic disputes working in the top 10 law firms in the UK and solicitors registered in the Institute of Expert Witnesses with not a single response. At this stage, the researcher decided to accept the fact that the inter-professional aspect of the research will only be represented from the perception of the providers of forensic accounting services.

This study is also interested to investigate how intra-professional relationships affect the professionalisation process of forensic accounting, the researcher decided to investigate the forensic boutique firms, the main competitors of the Big Four forensic accounting firms. The reason for this choice was two reasons: first, one of the objectives of this study is to investigate the implications of the independence dilemma of the provision of both audit and non-audit services upon the practice of forensic accounting. The perception of the forensic boutique experts provides a fair analysis of how the independence dilemma is viewed in the forensic accounting market as opposed to, for example, mid-sized accounting firms' forensic accounting experts. Second, as the researcher was investigating the websites of the forensic accounting providers to choose potential interviewees, it was found that most of the forensic accounting senior managers working in the forensic boutique firms were previous partners in Big Four companies. This aspect was very interesting to investigate as part of the intra-professional theme: does this represent a turf war for skills between competitors?

The research objectives also aim to understand the self-regulatory nature of forensic accounting and what this can tell us about the professionalisation of forensic accounting. It was essential to include a regulatory group in my analysis in order to achieve this objective. The ICAEW FEWG members were chosen as the regulatory group to investigate because, firstly, the ICAEW is the only professional body in the UK that has established and developed a forensic accounting accreditation and, secondly, the analysis of survey questionnaire identified that 80.5% of the respondents are fellows of

the ICAEW, which means that the professional body accredits the majority of my sample.

Such analysis of the data from multiple perspectives could only be achieved using a multiple case study research design. In other words, the research tried to provide a three-dimensional view of the professionalisation of forensic accounting in the UK. This was attempted by looking from several directions, to develop a more rounded, richer, more balanced picture of the subject under investigation (Thomas, 2011).

4.3.1.2 Validity and Reliability

Unlike quantitative research³³, where large emphasis is placed on the validity and reliability of the research, qualitative research interpretations, results and conclusions are always threatened by those standards of reliability and validity. However, qualitative researchers (e.g. Thomas, 2011, Campbell, 1988, Putnam, 1990) have argued that they do not need an “observer-independent gold standard” to which they can compare their results to see if they are valid. However, they must acknowledge their possible biases and consider how they will deal with them. McKinnon (1988) reported a problem of field research, particularly within the accounting domain. He argues that because field studies are not very common in accounting research, many researches either fail to report how they addressed issues of validity and reliability or they are convinced that criteria designed to evaluate research projects validity and reliability are not necessarily appropriate (Morgan, 1983). However, failure to attend to these two critical issues hinders the researcher’s faith in the results and her ability to communicate them. Therefore, the issues of validity and reliability were continually in the researcher’s mind during the course of the study, and many strategies and tactics were used during the fieldwork to explicitly address any threats to the research process and more importantly to the reporting of results.

There are four major validity and reliability threats that are often raised in relation to qualitative research, which are researcher bias, reflexivity³⁴, data access limitations and

³³ In quantitative research, reliability depends on the extent to which the research succeeds in offering consistent explanations for the problem in hand (Stenbacka, 2001). The validity of quantitative research (internal and external validity) refers to the extent to which the research offers truthful explanations that can be generalised to the larger population.

³⁴ Lincoln, Lynham and Guba (2011, p. 183) argued that reflexivity is “The process of reflecting critically on the self as the researcher, the ‘human as instrument’. It is a conscious experiencing of the self as both

the complexities and limitations of the human mind (McKinnon, 1988). **Researcher bias** is described by Simon and Burstein (1985:224) as the ‘tendency to observe the phenomenon in a manner that differs from the true observation in some consistent fashion.’ McKinnon (1988) writes that the researcher bias is potentially shaped by a range of factors unique to the researcher such as cultural background, occupational and general training, and prior experience of the specific phenomenon under investigation. Such bias can only be managed rather than eliminated, because the individual cannot be separated from his psychological make-up (McKinnon, 1988). Maxwell (2005) & Hammersley & Atkinson (1995) claimed that **reflexivity** (or in other words, the observer-caused effects) - the influence of the researcher on the setting or individual studied - is a powerful and inescapable influence. **Data access limitations** refer to the restrictions put by the researcher’s host on the mobility and access to certain documents, events or people i.e. the researcher may be studying less than the complete phenomenon they claim to be studying (McKinnon, 1988). And lastly, the threat of **limitations of the human mind** refers to the degree of honesty and accuracy of the respondents’ statements.

Within this context, the researcher was aware of those threats due to the subjective nature of the research and the direct involvement with the research participant. The researcher, therefore, employed a number of strategies in order to address those threats. The researcher for example tried to build a good rapport with the interviewees to allow for a relaxed attitude from both the researcher and respondents. For example, the researcher usually waited in the reception to be collected and then head to the meeting room where the interview can take place. On the way, the researcher showed the interviewees her passion and admiration of their hard work, mentioning a couple of cases she read in the news about their work that showed interviewees (1) the substantial background check the researcher undertook before meeting her respondents, (2) genuine interest in their specific work and (3) they were picked to be interviewed because they are leaders in this particular field. The researcher thinks this approach unlocked many ‘doors’ to data: firstly, it made my respondents very relaxed to discuss critical issues (such as their opinion on competition, regulatory context and independence) more openly (this in a way also addresses the data access limitations). Secondly, creating this

inquirer and respondent, as teacher and learner, as the one coming to know the self within the processes of research itself”.

relationship minimised the researcher's attempts to prejudge the research settings. McKinnon (1988) argues that if the researcher is genuinely interactive and giving, the threats of researcher bias, reflexivity and the complexities of the human mind are reduced accordingly.

Using multi-methods (see section 4.3.1.3 for more details) has also helped in addressing issues of validity and reliability. For example, by subjecting the survey data and documentation to 'test' against the interview data, the researcher was able to detect, and therefore, compensate for her interpretational and perception biases. Additionally, since the researcher was not granted a period of observation in the field (i.e. was exposed to data access limitations), it was essential to employ multiple methods to address this bias.

In addition, the researcher avoided imposing any leading questions/statements during the interviews and tried to summarise the main arguments discussed with the interviewees to ensure she understands the interviewees' perception correctly. This proved to be very helpful because not only did it eliminate some misconceptions in the researcher's mind, but also allowed the participants to provide follow up points on the theme. Additionally, the researcher hired a professional transcriber to transcribe the interviews, which were later crosschecked by the researcher to ensure the accuracy of the transcripts' content. Having two people working on the interviews' data ensured the quality of the data, as comparisons undertaken highlight inconsistencies in the record of what actually occurred and provides a strong assurance against observer bias (McKinnon, 1988).

After the researcher read and crosschecked the interview transcripts, she provided (through email) copies of the transcripts to a sample of the participants to validate and check their narratives. The researcher expected some feedback with some altering request to the context of the transcripts. However, this was not the case, the interviewees; were happy with the content of the interview transcripts, except for one case where an interviewee requested that the researcher not include in the thesis any background about their career history, explaining that they is well-known in the field and if anyone reads their biography, their identity will be exposed. The researcher immediately granted the interviewee's request. This proves Lincoln & Guba's (1985) argument that "member checks" rule out the possibility of misinterpreting the meaning of what participants say and do and the perspective they have on what is going on. It is also considered an important way of identifying the researcher's biases and misunderstandings.

Yin (2009) identifies several case study tactics a researcher can employ in order to enhance the quality of the research design. In order to enhance construct validity³⁵, for example, a researcher should (1) use multiple sources of evidence, (2) establish a chain of evidence, and (3) verify the case study results with key informants. As mentioned earlier, this study integrated two types of triangulation. First, this study studied the perceptions of three groups; such variability was intended to provide a full and revealing picture of what is going on and to allow for comparisons, which will contribute to the interpretability, and thus the validity, of the results. Second, the researcher provided evidence using multiple sources of data collection, namely, interviews, questionnaires and archival documents (as detailed in section 4.4.2). Furthermore, as indicated earlier, the researcher sent the interview transcripts to interviewees in order to verify the information presented during the investigation.

The external validity of a research is measured by the ability to generalise the study's findings beyond the immediate case study. As discussed earlier, this study does not aim at statistical generalisation but analytical generalisation. Hence, the research investigates whether Abbott's professionalization framework can explain the professionalization of the forensic accounting practice in the UK or not. It is the aim of the next section to explain how the use of multiple methods has helped in addressing issues of validity and reliability.

4.3.1.3 Triangulation

Triangulation of (i) *data collection methods*; and (ii) *respondents* was used as a means of enhancing research dependability "by counteracting or maximizing the heterogeneity of irrelevant sources of variance attributable especially to inherent method bias but also to inquirer bias, bias of substantive theory, biases of inquiry context" (Greene *et al.*, 1989:259). Triangulation of *data collection methods* enables the researcher to verify the data collected by one method against that collected by another. Triangulation by *sources of data* "involves collecting data from different persons or entities. Checking the degree to which each source confirms, elaborates, and disconfirms information from other sources honours case complexity and the perspectives among participants and helps ascertain the accuracy of each datum" (Mabry, 2008: 222). This enabled the researcher to match and verify the responses of respondents within the same group and across groups; a process which has been undertaken throughout the data collection process, in

³⁵ Yin (2009:40) defines construct validity as the ability to "identify correct operational measures for the concepts being studied.

an attempt to enhance overall objectivity and verifiability (Lincoln and Guba, 1985). The cross-matched responses also enriched the data analysis and offered more insights into the data provided by each of the sampled groups. It is the aim of the next section to provide more details on each data collection method employed and how the samples were chosen and access was granted and most importantly the ethical commitment of the researcher during this process. Again these are really important factors to consider in gauging the validity and reliability of qualitative research.

4.4 Research Methodology

A qualitative research methodology as proposed by Janesick (2000) follows three main stages, namely: (a) research design, (b) data collection and, (c) data analysis. The next sub-sections will present the research methodology developed in this study which is based on Janesick (2000) three stages.

4.4.1 Research Design

A research design is the logical sequence that connects the empirical data to the study's initial research questions and, ultimately, to its conclusions (Yin, 2009). This study has developed a logical plan in which the initial starting point was to extensively review the literature in order to (1) identify the issues investigated by prior studies of the phenomena under investigation (i.e. forensic accounting practice), (2) identify the research gaps in the literature accordingly, and (3) narrow the focus into studying an interesting unexplored research area. A more focused literature review (professionalisation of occupations) was then undertaken, resulting in the identification of research objectives and reification of research questions.

Thereafter, the researcher developed a theoretical framework based on Abbott's professionalisation framework. The unit of analysis within this framework was identified and a decision was made to emphasise empirical rather than theoretical aspects of the enquiry. Based on the needs of the empirical study, it was decided that the research design would utilise a multi-case study strategy through the employment of qualitative research methods. At this stage, it was essential to transform the research design into a research plan of action (or as Yin (2009) suggests, a case study protocol). Yin (2009) explains that having a case study protocol- a standardized agenda guiding the

investigator's line of inquiry- is essential in multiple-case study research for a number of reasons, including:

- To increase the reliability of the case study research.
- To guide the investigator in carrying out the data collection in a manageable manner.
- To ensure a clear schedule of the data collection activities that are expected to be completed within specified period of times.

The primary data collection method used in this thesis is interviews (semi-structured and in-depth), accompanied by archival documentation and survey questionnaire. As argued earlier, such triangulation of data collection methods is valuable in enriching the conclusions of this study and ensuring its reliability and validity. The next section provides more details about the data collection process.

4.4.2 Data Collection

A good case study design usually employs multiple sources of evidence in order to obtain a rich set of data surrounding specific research issues, as well as to capture their contextual complexity (Benbasat et al., 1987). The reasoning for using multiple methods of data collection in this study is (1) this increases the robustness of the results (2) each method complements the other, (b) cross-validations strengthens the findings and helps the researcher to reach valuable and comparable conclusions. Yin (2009) identifies six main sources of evidence that can be used in case studies research, which are: (a) documentation, (b) archival records, (c) interviews, (d) direct observation, (e) participant observation and, (f) physical artefacts. As described earlier in section 4.3, the researcher aimed to take advantage of this methodological diversity, with a survey questionnaire and archival research being combined with semi-structured and in-depth interviews involving a range of industry practitioners and stakeholders as well as direct observation of forensic accountants, by being present in two companies (Big Four and specialist investigation firm) over a four week period. The researcher at first was promised a four-week internship by two head partners in two selected firms with access to documentation and forensic reports, but later these arrangement were cancelled by the partners due to concerns ranging from the compromise of sensitive client information to interference with firm operations and excessive time and resource commitments. As a result, the decision was made fairly early on to limit the project to three principal methodological strategies: survey questionnaire, archival research and interviews (semi-

structured and in-depth). There has been limited attention paid in the literature to studying the professionalization of forensic accounting practice in the UK, particularly using the combination of these methods, and, therefore, this research provides a theoretical and methodical contribution to the accounting literature.

It was essential for the researcher to grasp essential concepts related to the forensic accounting practice, as this area of research is considerably underexplored in the academic literature despite the enormous growth of its practice in the private sector. Providing a detailed descriptive account of the forensic accounting practice and its origins, functions and structure was found significantly important in order to provide a full portrait of the professionalisation of the practice. In particular, the data collection methods used in this study addresses the following questions:

RQ1: what does the construction of the meaning of “forensic accounting” reveal about the development of forensic accounting in the UK?

RQ 2: What professionalisation strategy is employed by the accounting profession in the forensic accounting practice?

- RQ 2a: Which areas of forensic accounting practice (professional work) did the accounting profession claim professional expertise in? Did forensic accounting practicing firms witness growth in those areas of practice (i.e. extended jurisdiction)?
- RQ 2b: Was the accounting profession successful in legitimating the forensic accounting practice? if so, what are the strategies that the accounting profession used to build a professional image as the main provider of forensic accounting services in the public and legal arena.
- RQ 2c: What are the external factors (disturbances) that affected the demand for forensic services, and how did those external factors impact the accounting profession (i.e. did it create or abolish new opportunities in the forensic accounting practice, did it change internal knowledge and skills requirement, did it require the employment of other professional groups)?
- RQ 2D: What are the abstract, professional knowledge and skills of the forensic accounting practice?
- RQ 2E: Did the accounting profession face inter-professional competition within the forensic accounting practice? If so, what jurisdictional settlements

did the accounting profession have to settle for?

RQ3: What does the intra-professional relationship reveal about the structure of forensic accounting market in the UK?

RQ 4: If auditors appointed by a company provide forensic services (separate from audit services) to management or the audit committee, can these services impair the audit firm's independence? If so, under what circumstances?

RQ5: How is forensic accounting regulated in the UK?

The rationale for selecting each method and the ways in which these serve the research purposes are discussed in the following sub-sections.

4.4.2.1 Interviews

Interviews are considered to be one of the main tools of data collection used in case study research (Yin, 2009). Interviews are commonly used in qualitative research as it offers the researcher the opportunity to obtain deep insights into respondents' interpretations, views and feelings regarding events which have taken or are taking place (Walsham, 1995b). Another reason why the researcher chose to undertake interviews is that it will allow her to step back and examine the interpretations of her respondents' perception in far more detail. Therefore, it was essential that the researcher choose her form of interview for the study wisely in order to provide the reader a rich analysis of the professionalisation process of forensic accounting in the UK.

Interviews come in various forms and types. One typology that is commonly used is related to the level of formality and structure, whereby interviews may be categorised as one of structured, semi-structured or unstructured interviews³⁶ (Denzin and Lincoln,

³⁶ Structured interviews use questionnaires based on a predetermined and standardised or identical set of questions. Every single question is read out and then the response is recorded on a standardised schedule, usually with pre-coded answers. On the contrary, semi-structured and unstructured interviews are non-standardised. In semi-structured interviews, the researcher will have a list of themes and questions to be covered although these may vary from interview to interview. This means that the researcher may omit some questions in particular interviews, given the specific organisational context which is encountered in relation to the research topic. The order of questions may also be varied depending on the flow of the

2005, Saunders *et al.*, 2007). Interviews can also be characterised as being face-to-face interviews or telephone/online interviews. More insights are usually offered through *face-to-face interviews* through non-verbal communication rather than for example telephone interviews or online interviewing (Bryman and Bell, 2007; Fontana and Frey, 2005). In essence, each type of interview outlined above has a different purpose. As pointed out by Saunders *et al.*, (2007:245):

“*Structured or standardised interviews* can be used in survey research to gather data, which will then be the subject of *quantitative* analysis. *Semi-structured and in-depth, or non-standardised, interviews* are used in *qualitative* research in order to conduct exploratory discussions not only to reveal and understand the ‘what’ and the ‘how’ but also to place more emphasis on exploring the ‘why’ ” (emphasis added).

Semi-structured face-to-face and in-depth interviews were the main vehicle of this research. In the first phase of this study, the researcher used semi-structured interviews as it offered some *structure* to the interview, which ensured addressing the questions/areas of concern while maintaining a degree of flexibility in the conversation in order to gain deep insights into the perceptions and thoughts of respondents (Guba and Lincoln, 2005). Also, semi structured interviews were found beneficial when the researcher was intensively involved in comparing and contrasting interviews’ results, especially that the researcher interviewed multiple respondent groups (Saunders, et al., 2007; Creswell, 2003; 2009). Moreover, semi-structured interviews provided the opportunity to probe answers, the flexibility to follow up answers and gather additional opinions; thus, it enabled flexibility in interview design and conduct, resulting in a rich data set for subsequent analysis (Horton, Macve & Struyven, 2004).

At the first stage of the data collection, the interview was more focused on understanding the main aspects of forensic accounting. The accounting literature reviewed lacked many important aspects related to this niche practice, especially when it

conversation. On the other hand, additional questions may be required to explore the research question(s) and objective(s) given the nature of events within particular organisations. Unstructured interviews are informal and are generally used to explore in depth a general area in which the researcher is interested. Therefore, this kind of interview is referred to as an in-depth interview as there is no predetermined list of questions to work through in this situation, although the researcher needs to have a clear idea about the aspects he or she wants to explore. The interviewee is given the opportunity to talk freely about events, behaviour and beliefs in relation to the topic area, so that this type of interaction is sometimes called non-directive. It has been labelled as an informant interview since it is the interviewee’s perceptions that guide the conduct of the interview. In comparison, a respondent interview is one where the interviewer directs the interview and the interviewee responds to the questions of the researcher (see Ghauri, Gronhaug and Kristianslund, 1995; Healey and Rawlinson, 1994).

came to the UK environment. It was unknown at this stage what the UK forensic accounting practice was all about, who practiced it, who needed it, who regulated it. An interview guide at this stage was essential as it helped to guide the researcher and ensure that the relevant themes are covered consistently with all interviewees. After conducting and analysing the semi-structured interviews, together with the survey material (of the second phase of data collection), the researcher was drawn further to notion of professionalisation and how its system works. This is when the researcher realised there was more to forensic accounting than fighting crimes and ensuring financial security. In-depth interviews were chosen to probe into those issues of professionalisation, competition, powerful groups actions and regulation. In this third phase of data collection, in-depth interviewees were more appropriate because those political themes call for a more relaxed environment for the discussion to follow with ease, without the interviewees being anxious to discuss sensitive information. Although the researcher prepared an interview guide for this stage of interviews, it was used more like a point of referral to ensure the coverage of all themes rather than a list of questions to probe from. The next section details the two interview phases and how negotiation to access was granted.

4.4.2.1.1 Informant Group

A number of considerations were brought to bear on the selection of the respondent pool. First, it was essential to remain faithful to Abbott's analytic method with its emphasis on competitive struggles between the occupants of different social positions as a defining element of the professionalisation path. With this in mind, the first task was to identify the specific positions according to which the field of Forensic Accounting is organized. Accordingly, it appeared that there were a number of key groups which fit this description. This yielded three groups³⁷ of respondents including:

- (1) Big Four forensic accounting units: Forensic accountants occupying various positions in the Big Four professional service firms (PricewaterhouseCoopers, Deloitte, KPMG and Ernst & Young) or, as described in chapter two, the first tier firms, play an important role in creating, institutionalising and manipulating new forms of professionalism and models of

³⁷ The researcher was very interested to include a fourth group in her investigation, namely lawyers from mega-law firms, however, none of the many lawyers contacted by the researcher were eager to contribute to this research. Therefore, I decided to focus primarily on specialist forensic investigators, many of which are lawyers, arbitrators or former police officers.

professionalisation (Muzio & Kirkpatrick, 2011). These four firms are among the largest professional businesses in the world (Mintzberg, 1989). Hanlon (1994) and Cooper & Robson (2006) stressed on the centrality of the Big Four accounting firms in the process of professionalisation, regulation and the division of labour in society. They also reported that academic research tend to neglect the role this predominant form organization-based profession play in constituting how the accounting profession progress. Big Four accounting firms are considered commercial and entrepreneur enterprises within which expertise may first be expected to become commoditised (Abbott, 1988). As a result, these interviews were both the greatest in number and the most intensive and extensive. Respondents in this group were selected from a variety of different backgrounds and levels of expertise.

The selection of the interviewees was made based on two factors: first, their specialist area of forensic accounting. As indicated in Chapters 2 and 3, the forensic accounting practice is divided into two main areas of practice, which are forensic investigation and expert witness. The researcher ensured to take both areas of expertise into account in her study. The access is to be further explained in this section. Second, the interviewees were selected according to their background and experience. In big accounting firms, particularly in a practice area like forensic accounting, professionals tend to come from different backgrounds. The researcher wanted to ensure a good mix of experts with accounting background and experts with a legal background are represented in her sample. Due to the failure to gain access to law firms, this mix of backgrounds to provide a more balanced view of themes related to competition and professionalisation.

(2) Specialist forensic investigation firms: These firms are differentiated from those in the first category in that their range of services is more focused on investigative services. They occupy a strong position in the UK. The perspective of these respondents was judged to be invaluable given their involvement in a variety of investigative activities that have triggered fierce competition with the first tier firms. This was evident from Williams's (2002, 2005, 2006) investigation of the forensic accounting profession in Canada.

Hence, the researcher attempts to interview expert witnesses and forensic investigators in those firms to investigate the channels of tensions and competition between accounting firms forensic accounting units and their rivals within the industry. Additionally, it provides insightful information on the disturbances faced by the accounting profession in the professionalisation of forensic accounting and the type of jurisdictional settlement that accountants had to settle for.

To ensure consistency of comparison between the perception of large accounting firms, forensic professionals and the forensic boutique professionals, interviewees were chosen according to (1) area of expertise and (2) background.

(3) Professional bodies: Professional associations are primarily, but not exclusively, political bodies whose purpose is to define, organise, secure and advance the interests of their (most focal and influential) members (Willmott, 1986). The regulator plays an important role in the professionalisation of forensic accounting, in not only regulating the profession and its reputation but also in shaping the profession's abstract and professional knowledge. Any guidelines, frameworks or discussions professional bodies induct have a major influence on extending/weakening the jurisdictional claims of the accounting profession and hence act as a major factor that needs to be investigated. The ICAEW is the only professional body in the UK that has developed and established a forensic specialist interest group and issued forensic accreditations. Therefore, it was chosen as the professional body to be investigated in this study.

Beyond providing an accurate account of the various positions within the field, another motivation in the selection of these respondent categories was to provide a number of different points of view on the industry. Thus, it was expected that the view of the specialist investigative firms would contrast markedly with that of the big four forensic accountants. This "triangulated" interview strategy was also designed to provide a measure of cross-validation as the comments and observations of one group could be tested against those of the others. Such a feature was felt to be particularly important within the current study given the likelihood of conflicting data.

In selecting the sample, a theoretical/ purposive sampling design was used (Glaser & Strauss, 1967; Lincoln & Guba, 1985). Maxwell (2005, p.88) argues that this sampling strategy is used when a particular setting, particular persons or particular activities were selected deliberately in order to provide information that could not be obtained as effectively from other choices. In other words, practitioners were chosen to be interviewed according to certain characteristics. For example, interviewees chosen for this study are uniquely expert in the area, the interviewees are well informed about the UK legal system and finally interviewees are chartered accountants or members of the Expert Witness Institute. This form of sampling was chosen because: the sample is continuously focused as insights and information accumulate (Lawrence, 1999).

In the first phase of semi-structured interviews, the researcher examined thoroughly the big four accounting firms' websites and emailed all the forensic investigators and expert witnesses partners listed on each firm website. The researcher received only one reply from the Head of Fraud Investigations of one of the Big Four, where arrangements were made to set up an interview time and place. Additionally, the researcher followed the same exact procedure with NIFA website and again, only one expert witness agreed to participate in this study. At this phase, the name of each committee member of the ICAEW FSIG was still indicated on the ICAEW website. The researcher emailed all committee members, with only two respondents agreeing to participate in the study.

The first respondent indicated that they no longer serve on the ICAEW FSIG committee but were still interested to discuss issues related to the how the committee was developed and the accreditation was established. The respondent was also an expert witness in one of the American forensic boutique firms that got established in the UK in the early 1990s. The second respondent was a forensic investigator in a forensic boutique firm and a current committee member of ICAEW FSIG group. Those two interviews were considered very valuable as they provided the researcher with rich data with regard to ICAEW role and also how the early establishment of forensic boutique firms in the UK was perceived. In the emails to the participants, the researcher outlined the objectives and aims of the research, the time frame needed for the interview and most importantly the researcher assured the interviewees confidentiality of the information to be discussed. In this phase, on the interview day, the researcher provided interviewees with an ethical statement approved by Middlesex University's ethical committee and her supervisors.

In this stage, the researcher attempted to get referrals from the interviewees to contact other experts within the same level of experience to be interviewed for this study. Responses at this stage (and also in the third phase of in-depth interviews) have always disqualified the expertise of others, for example, one interviewee noted: *'I'd rather leave it at that, Sarah. I can think of several, but I don't think they're as helpful as I am.'* This is when the researcher realised that she needed to rely on the media, ICAEW publications and industry publications to identify the names of the leaders of the forensic accounting practice in the UK.

The third phase of the data collection, which consists of 12 in-depth interviews, relied heavily on two sources in order to get access to participants. First, as mentioned earlier, I extensively reviewed the legal press, media publications, Institute of Expert Witness and Academy of Experts registers to identify the top expert witnesses in the field. I was able to get access to one expert witness senior partner in one of the biggest forensic boutique firms in the UK (and worldwide). I also looked through the ICAEW website and was able to access three interviewees from the list of presenters of their 2012 forensic accounting conference. The three interviewees were: a sole practitioner and ICAEW FSIG senior member, a Big Four forensic technology partner and former instructing lawyer, and a forensic boutique senior forensic investigator.

The second source of access was emailing the questionnaire respondents and requesting a meeting to discuss the points raised in the questionnaire in more depth. The researcher thought tremendously about the ethicality of this approach since the main purpose of the respondents noting their emails on the survey was to receive a copy of the questionnaire results, not to get contacted for further interviews. Therefore, the researcher thought the best strategy to address this fear was to email the survey respondents a copy of the questionnaire results and request them to contact her if they found the results interesting and worth further discussion face to face. This approach has granted the researcher another six interviewees, who were: two members of the NIFA group (both were expert witnesses), three Big Four forensic partners (of which two are forensic investigators and one is an expert witness), and, a forensic boutique vice president. The researcher thought to try to approach more interviewees through the same method used in the first phase, which is emailing the leaders through a search on the Big Four and forensic boutique websites. Two more interviewees were granted, where a chairman of one of the Big

Four forensic unit and an owner of a forensic boutique firm were interested to participate in this study.

As illustrated, getting access to those experts wasn't an easy process, especially when they were paid per hour for their time. Although the researcher emailed almost all experts in the field along these lines, she faced rejections or no response. However, the researcher thinks that the sample present in this study is really valuable and has taken into account the views of the leaders who their acts shape and define the forensic accounting practice in the UK. The next section provides more details of the interview process.

4.4.2.1.2 Procedures for the interview and the interview Schedule

An interview schedule was prepared in both phases of the interviews; however, the questions were left open-ended. This form of interviewing was chosen for two reasons; first, there were issues about the independence of the practitioners, the standards of forensic accounting practice, and sensitive issues about competition over clients' work, pitching to clients and reaching settlements that needed further investigation, therefore open-ended questions would allow participants to be probed on detailed aspects of these phenomena. Second, the questions related to these issues could not be answered in form of 'yes' or 'no' or any other pre-determined form. Rather, open-ended questions were more relevant to allow the interviewees to express their opinions freely.

The interview schedule was sent in advance to respondents along with the request for an interview to enable them to feel comfortable with the proposed line of questioning and to prepare their thoughts. Saunders et al. (2007:320) noted that providing participants with a list of interview themes before the event may help to promote the creditability of the interviewer. Additionally, it may also "promote validity" by enabling the interviewee to consider the information being requested.

The request letter specified that the interviews would take around one hour, and it gave assurance that responses would be anonymous upon respondents' requests. The interview schedule and letter is included in Appendix I. The researcher pilot-tested the interview guide with one Chartered Accountant, resulting in minor amendments in the interview guide.

In the first phase of this study, a series of face-to-face interviews using a semi-structured interview schedule were conducted in July 2010 with a member of the ICAEW FSIG, a big four forensic partner, a member of the Network of Independent Forensic Accountants (NIFA), and an expert witness from a UK branch of an American forensic accounting business. In the second phase of this study, a survey questionnaire was conducted as discussed in the following section (4.4.2.2). In the third phase of this study (more details are to be found in the above section), a further 12 in-depth interviews were conducted in the period August 2012-November 2012 with five forensic partners from the Big Four accounting firms, six forensic partners from specialist forensic boutique firms, and one senior member of the ICAEW FSIG. The in-depth interviews were conducted to provide a more thorough investigation of the concepts and themes developed and promulgated from phase 1 investigation of interviews and phase 2 of survey analysis.

Each interview lasted between 45 minutes and two hours, and was recorded. Notes were taken during the interviews in order to ensure accuracy and completeness. However, the researcher was very aware of two facts: first, the position of those interviewees in the society and, second that those experts time are very limited. Therefore, the researcher made sure to note down only essential material and focused more on engaging with the interviewees with eye contact, nodding and show great enthusiasm. Additionally, at the end of each interview when the researcher stopped recording, almost all interviewees made some critical comments off record. The researcher was careful to note those comments down as soon as she left the office. Following each interview, the recordings were sent to a professional transcriber to be transcribed and the transcriptions were later cross-checked by the researcher.

The interview schedule was divided into two main parts. The first part of the interview schedule consisted of questions on the meaning of the term 'forensic accounting', the special knowledge and skills necessary to be a forensic accountant, the main responsibilities of a forensic accountant, and the services provided by forensic accountants. Interviewees were then asked whether there was any regulation or guidance governing the forensic accounting practice in the UK. Questions then focused on exploring the implications for the forensic accounting practice in the UK resulting from the current lack of specific forensic accounting standards (this specifically on RQ4 and 5 discussed in section 4.4.2 above). Specifically, how far would the self-regulation of

forensic accounting in the UK affect the development of forensic accounting in the UK and the nature of work done by forensic accountants? Interviewees were asked to relate their personal views on the issues raised; to provide explanations and give examples, with minimal intervention from the interviewer. The second part of the interview dealt with investigating the intra-and inter-professional competition within the forensic accounting practice, and the marketing strategy used to maintain competitive advantage in this competitive market, and how the procurement process are constructed in this market. The second section also investigated the factors that have contributed to the growth of this service (this part focused on answering RQ1, 2, and 3 discussed in section 4.4.2 above). Each interview was concluded by asking interviewees if any additional points are to be added to the conversation, this part provided a wealth of valuable information that has helped the researcher to provide a good constructive argument in the two analysis chapters.

4.4.2.2 Questionnaires

The use of a survey questionnaire was supported by many academic scholars for example, Beattie and Fearnley (2002, p. 264) argue, “The questionnaire approach provides richer insights than is possible using secondary data analysis, which focuses on economic factors, because the questionnaire instrument includes both economic and behavioural factors”. Therefore, the survey research was found useful in this study as it provides a convenient method for collecting data by asking people who have experienced certain phenomena to reconstruct these phenomena (Frankfort-Nachmias and Nachmias, 1992).

Questionnaires are widely regarded as being inherently quantitative and positivistic data collection method. However, De Vaus (2002) argues that typifying questionnaires using the quantitative/qualitative distinctions most cited in research methods books and articles is ‘misleading’. He argues that it is important to distinguish between collection methods that yield structured and unstructured data sets. For example, with a questionnaire, a researcher might be interested in numeric or quantitative data (e.g. age, income, years) or qualitative data (e.g. respondents’ opinion on certain matters). A survey is considered a qualitative means of data collection if it does not count the frequencies of categories, but searches for the empirical diversity in the properties of

members, even if these properties are expressed in numbers (Jansen, 2010). Table 4.1 summarises the main difference between quantitative and qualitative surveys.

Table 4. 1 The main differences between quantitative and qualitative surveys

Assumptions	Qualitative Survey	Quantitative Survey
Aim	The primary knowledge aim of qualitative surveys is to explore the views of participants in their own words (through open/ended questions, free responses and justification of their opinions.	Quantitative surveys aim to test particular relationships between variables and produce models of these relationships.
Sampling	Diversity, by purpose.	Probability, by chance.
Analysis	In depth interpretation of the survey responses through the creation of themes and codes and cross-validation with the theoretical framework.	In quantitative analysis multidimensional (or multivariate) description is performed by grouping variables into scales and sub-scales on the basis of statistical correlations among variables in order to confirm or reject the hypothesis developed in the study. Statistical casual analysis explains variation in the dependent variable on the basis of independent variables using different techniques such as multiple regression analysis and linear structural relations.

The survey strategy used in the context of this study can be described as qualitative for the following reasons:

- (1) The questionnaire (see Appendix II) was designed to provide respondents the freedom of disclosing their opinion on the themes under investigation (i.e. free responses, open-ended questions). Additionally, ALL survey questions were seeking categorical responses rather than numerical responses, thus, relying heavily on qualitative evidence (Yin, 2009)
- (2) The questionnaire was analysed by developing codes and themes working across the questionnaire responses, interview responses, documents gathered and, the chosen theoretical framework to construct and interpret responses

Different methods of questionnaire distribution are discussed by Saunders et al (2007)³⁸. For the purpose of this study, postal questionnaires were used, as the researcher believed

³⁸ There are different methods of questionnaire distribution including postal questionnaires where the questionnaire and a covering letter are posted to a sample and returned upon completion; telephone questionnaire where the researcher conduct a structured interview through the telephone; delivery and collection questionnaires are the ones delivered by hand to each respondent and collected later and face-

it was a convenient method to reach key individuals in the field of forensic accounting given their limited time. Postal surveys are also a reasonably inexpensive method although the response rate can be very low (Collis and Hussey, 2003). Additionally, a postal survey runs the risk of not ensuring that the questionnaire may not be filled in by the person addressed for the study. In order to control for this bias, the survey was sent by email a few weeks later as most respondents read and respond to their own mail at their personal computers (Witmer et al., 1999). This not only controlled this bias but also gave an opportunity to increase the response rate. Respondents either confirmed filling in the questionnaire and sent it back by email or completed the questionnaire in case they did not receive the mail questionnaire.

4.4.2.2.1 Survey sample and demographic analysis of mail questionnaire

The population chosen for this study comprised the heads of forensic accounting services currently working in the top 100 UK accounting firms, using data from *Accountancy Age's* annual surveys of the Top 50+50 accounting firms in 2010³⁹. The population also included the specialist independent investigative firms who are members of the NIFA and all accredited forensic accountants and expert witnesses listed on the ICAEW website. Mail questionnaires⁴⁰ were sent to all participants in May 2011 and a follow up was sent again in July 2011.

The questionnaires, which contained a mix of closed and open-ended questions, scale questions and checklist questions, were mailed to two hundred and sixty-two forensic accounting principal⁴¹, out of which fifty six questionnaires were found usable. The response rate was 21.4%. Results of a test of non-response bias (comparison of early and late respondents) indicates no significant bias between the two groups.

to-face questionnaires where interviewers physically meet respondents and ask the structured questions face-to-face (Saunders et al., 2007).

³⁹ See <http://www.accountancyage.com/static/top50-this-year> for details.

⁴⁰ Each respondent received a questionnaire together with a cover letter outlining the objective of the research, respondent confidentiality and availability of survey results upon request.

⁴¹ Almost all big accounting firms have their own specific forensic accounting departments that have forensic accountants specialising in different sub domains of forensic accounting. For example, KPMG forensic have 9 different forensic accounting specialisations (namely, fraud and financial investigation; dispute advice and expert witness services, forensic technology; Anti-bribery and corruption; Intellectual property and contract governance; corporate intelligence; Anti-money laundering; economics and regulation; forensic transaction services); a survey was addressed to the head of each group.

The results from the mail questionnaire were analysed using SPSS. Demographic analysis indicates the majority of responses (60.7%) were received from forensic partners, 35.7% were received from forensic managers and 3.6% were received from sole practitioners with an overall mean of 15 years of experience in the forensic accounting practice. This provides evidence that the respondent group has adequate knowledge and experience related to the forensic accounting discipline. The sample of respondents for this study is well educated with a significant proportion holding more than the ACA & CA accreditation. 80.5% of the respondents were Fellows of the ICAEW out of which 16.2% are members of Expert Witness Institute and Academy of Expert Institute, 12.5% are members of ICAS and the rest of the sample do not hold accountancy accreditation. Given its recent inception, the ICAEW's forensic accounting and expert witness accreditation was not well presented with 16.1% of the forensic accountant respondents possessing the certification.

The next section outlines the documentation gathered for the purpose of this study. The documentation gathering was part of every stage of the data collection. However, it was extensively used in collaboration with the in-depth interviews to enrich the data analysis.

4.4.2.3. Archival documentation

The archival research was seen as a critical resource in developing the empirical foundation given the absence of research on the forensic accounting industry within the academic literature. It was undertaken with three objectives in mind. First, it provided invaluable background information on the industry and its key practitioners as well as insights into a number of key conflicts, controversies and political lobbying which have come to define the field, and, thus a preliminary factual account of the IFA industry, its organization, and its functions. This served as an empirical reference point for the project and an oriented framework from which to direct future questions and conceptual inquiries.

Secondly, the researcher was able to identify the various professional and occupational groups that collectively constitute the field of IFA as indicated in section 4.4.2.1.1. It helped the researcher in describing the research population and the development of appropriate respondent categories. The review of documents and industrial publication helped the researcher to identify the names of notable practitioners working within the industry-i.e. those profiled and mentioned in the various media reports and industry publications. These individuals were then approached for both interview phases.

The third and final objective of the archival research was to construct a preliminary account of the various claims and claims-making activities which informed industry practice. It allocated important insights into the efforts of industry practitioners to actively construct forensic accounting and investigation as a particular type of professional market, as well as hints as to the conflicts, disagreements, and discursive inconsistencies underlying this endeavour. The analysis of the industrial and media documentation, together with the interview data, provide the researcher with a wealth of data and conformability among the research themes.

In May 2011, the researcher contacted the ICAEW FSIG administrator to request a visit to the ICAEW library and access material related to forensic accounting, including ICAEW exposure drafts, procedures, publications, consultation, forensic cases and Big Four publications. The researcher's request was turned down based on the fact that the researcher is not a (1) chartered accountant and (2) member of ICAEW FSIG. The researcher contacted an ICAEW senior audit committee member who she met earlier in the European Accounting Conference of 2011 and asked for help on this matter. The ICAEW FSIG administrator then emailed the researcher to inform her that she has been included on the email list of the group to receive the committee newsletter. However, access to forensic material was again refused. At this stage, the researcher had to rely on other sources such as systematic and comprehensive review of trade magazines, industry publications, accounting professional bodies (not only ICAEW) help sheets, Big Four publications, forensic boutique firms publications, media interviews conducted with Big Four/forensic boutique partners, the accountancy age interview videos with Big Four/forensic boutique partners and media articles, market and recruitment surveys and the legal press not only on forensic accounting, but also on fraud and economic crime. One source for these materials was a series of searches using Lexis-Nexis as well as a variety of other databases. This yielded over one hundred articles and court cases dealing with forensic accounting, fraud, and economic crime spanning a thirty-year period from 1990 to the present day. The archival research also reviewed the UK regulatory system including the Civil and Criminal Procedures Act, the Fraud Act, and the Different Institutes Ethical Codes (ICAEW, ICAS, EWI, and TAE⁴²).

⁴²Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants in Scotland, Expert Witness Institute and The Academy of Experts Respectively.

Additionally, periodicals published by the various professional accounting associations - including *the Accountancy Magazine*, *Chartered Accountant Magazine*, and the *Accounting and Business Magazine* were well represented in this sample. Once collected, these articles were analysed with the aforementioned objectives in mind. This analysis yielded useful background information on the industry and its practitioners, as well as insights into a number of key conflicts and controversies which have defined the field over the past five to ten years. This archival research also provided a fairly comprehensive list of the various firms involved in the industry, as well as the names of individual practitioners who have achieved a certain status and notoriety in the field and thus exerted a determinative influence on the definition and evolution of forensic accounting and investigation as a distinct profession. Table 4.2 summaries the data collection methods discussed in the previous three sections.

Table 4. 2 Summary of data Collection in each case

Organisations	Number of Organizations	sources
Case Study 1	PWC Deloitte KPMG E&Y	<ul style="list-style-type: none"> • semi structured and in-depth interviews • archival documents • survey questionnaire
Case Study 2	Two NIFA member firm ⁴³ Two American Forensic boutique firms	<ul style="list-style-type: none"> • semi structured and in-depth interviews • archival documents • survey questionnaire
Case study 3	ICAEW forensic accounting and expert witness special interest group	<ul style="list-style-type: none"> • semi structured and in-depth interviews • archival documents

4.5 Framework for Data Analysis

Two strategies were used to analyse the qualitative data, first, the researcher regularly wrote memos during the whole research process, starting with reviewing the relevant literature, through the data collection and the data analysis stage. Maxwell (2004, P.96) argues that the use of memos not only captures the researcher's analytic thinking about the data collected, but also facilitates such thinking and stimulates analytic insights.

⁴³NIFA was established in late 1999 by a group of independent Chartered Accountancy practices, NIFA was formed to pool the vast knowledge, expertise and resource in independent investigative firms to create a network providing solicitors and insurers with a local and cost effective forensic accountancy service.

Second, the researcher categorised the data by creating codes to divide the initial text into discrete segments and re-sorting it into themes. Concisely, the analytical approach involved the development of textual habits that capture the perspectives of the interview and survey respondents using segments/themes of their own text. Thematic analysis is used to rearrange the data into broad themes to facilitate comparison between issues in the same theme and to help in developing theoretical concepts. The researcher initially examined each transcript, and survey responses, familiarised herself with connection in the data set⁴⁴ and identified themes in participants' similar/different perception on themes like: (1) how they define the term "forensic accounting", (2) what "forensic accounting" services they offer to their client, (3) the repercussions of the "forensic accounting" services offered by accounting/auditing firms for the independence of the audit and, (4) the implications for forensic accounting in the UK arising from the current lack of authoritative guidance or a regulatory framework relating to forensic accounting. The knowledge and skills that differentiate forensic accountants, the competition faced and from which rival groups it arose, the impact of intra-profession competition on their practice, the internal and external forces that changed the dynamic of the forensic accounting profession, and the jurisdictional settlements the accounting profession agreed to settle for were also themes investigated in this study.

After receiving the transcripts from the professional transcriber, the researcher cross-checked the transcripts against the audio files. The transcripts were reread to improve familiarity with the data. While reading, the researcher highlighted the different themes, and then the themes were extracted in a separate document. This summary document has helped the researcher when analysing the data to quickly recall and organise the different themes. The researcher also coded the data on each transcript to a set of themes. The initial themes were established based on the topics covered by the interview schedule and were refined as the data analysis progressed and patterns emerged. Each interview was then perused on screen from beginning to end and relevant passages were 'dragged and dropped' under the relevant theme or themes. Once all the themes from interviews transcripts, survey analysis and document analysis were put in one document, data was read through by theme. Quotations extracted from the interviews, documents and questionnaires were then used to illustrate key themes in

⁴⁴Braun & Clarke (2006, P.79) identified a data set as "all the data from the corpus that are being used for a particular analysis"

the findings. These quotations were revisited in the original transcripts to ensure that they were not taken out of context.

The researcher thinks that the use of this constant comparative method was very beneficial. Going through data again and again, comparing each element-phrase, sentence, paragraph-with all of the other elements helped the researcher to continuously develop important ideas of the recurring themes. Making notes and writing summaries involved the researcher in an extensive process of think and rethinking about the themes: How do they seem to be connecting together? What matches with what? Are there any unanimous areas of agreement? Are there any contradictions or paradoxes?

The next section concludes the chapter.

4.6 Conclusion

This chapter discussed the empirical research design of this study. A discussion of the two dominant research paradigms employed in the accounting literature was presented. It was found that the mainstream accounting research was hugely influenced by the positivistic paradigm. Numerous calls have been made to encourage accounting researchers to utilise different approaches, ones that consider the social construction of the world, and how cultural, political, and social factors impact the current outlook of the accountancy practice. The researcher then argued that in order to achieve the research objectives and answer the research questions, the interpretive approach was more situated to the research aims. Accordingly, the researcher presented a justification of the use of the interpretive research paradigm in this thesis. Section 4.3 outlined the different research strategies and the reasons for rejecting some of them, reaching a conclusion that multiple case study research seemed the most appropriate method for this research. The data collection methods employed in this study was outlined in sections 4.4.2.1, 4.4.2.2 and 4.4.2.3, respectively. The researcher has undergone three phases of data collection. In the first phase, semi-structured interviews were undertaken with 4 interviews. This phase was very beneficial to understand the main dynamics of the forensic accounting practice in the UK, given that it is hugely under explored in the UK research. In the second phase, a survey questionnaire was sent to the top 100 accounting firms in the UK, ICAEW FSIG group and NIFA group. The third phase of this research included 12 in-depth interviews and thorough documentation analysis. Section 4.5 discussed the framework of data analysis used in the context of this study,

where the construction of thematic analysis were concluded to be the best strategy to employ since the researcher is interested to provide a comparative analysis of her three case studies.

The analyses and results of the data collected from the questionnaires, archival documents and the interviews are presented in the following two chapters.

Chapter 5

Forensic Accounting: Defined and Legitimatised by the accountants profession

5.1 Introduction

Chapters two and three of this thesis highlight the limited attention directed towards investigating the UK forensic accounting practice. It is the aim of this chapter and the succeeding chapter to address this and examine the role of the accounting profession in claiming expertise in the forensic accounting practice in the UK. Using data from interviews, questionnaire survey and documentation, this chapter brings an in-depth look at the findings of the research and links the data to the literature reviewed earlier, specifically to Chapter 2.

Using Abbott's theoretical lens of professionalisation (see figure 3.1), this chapter aims to investigate the development of the forensic accounting practice by (1) identifying the 'problem' that triggered the need for forensic accounting expertise, (2) clarifying the 'abstract knowledge' and 'professional knowledge' needed to define and redefine the societal problems it addresses (3) providing a detailed account of the 'treatment' offered by the accounting profession to those problems. Along this professionalisation system, the accounting profession is faced with specific disturbances that impact its business model. The identification of these disturbances as well as their impact will be discussed in this chapter.

Concisely, this chapter examines the following research questions:

RQ1: What does the construction of the meaning of "forensic accounting" reveal about the development of forensic accounting in the UK?

RQ 2: What professionalisation strategy is employed by the accounting profession in the forensic accounting practice?

- RQ 2a: Which areas of forensic accounting practice (professional work) did the accounting profession claim professional expertise in? Why did forensic

accounting practicing firms witness growth in those areas of practice (i.e. extended jurisdiction)?

- RQ 2b: Why was the accounting profession successful in legitimating the forensic accounting practice? What are the strategies that the accounting profession used to build a professional image as the main provider of forensic accounting services in the public and legal arena?
- RQ 2c: What are the external factors (disturbances) that affected the demand for forensic services, and how did those external factors impact the accounting profession (i.e. did it create or abolish new opportunities in the forensic accounting practice, did it change internal knowledge and skills requirement, did it require the employment of other professional groups)?
- RQ 2D: What are the abstract, professional knowledge and skills of the forensic accounting practice?

This chapter is divided into seven main sections. After this introductory section, section 5.2 outlines how forensic accounting practitioners constructed the definition of their work and the reasoning of the development and evolution of their work. The section also focuses on how the accounting profession was successful in representing itself as the main provider of forensic accounting solutions appropriately tailored to each client's need. Section 5.3 is devoted to discussing the factors (disturbance of system) that opened new task areas of jurisdiction, and what legitimatisation strategies the accounting profession has used to legitimate those new task areas.

Section 5.4 deals with the range of services provided in the forensic accounting industry and Section 5.5 draws upon the skills, qualification and knowledge needed to provide this line of work and whether the accounting profession was successful in building such an abstract knowledge base to legitimise the practice of forensic accounting or whether its failure left the jurisdiction of the practice open to competing forms and sources of knowledge, skills and expertise from a variety of professional groups. Section 5.6 concludes the chapter.

5.2 Forensic Accounting: Defined

The development and eventual promulgation of the definition of forensic accounting practice is a necessary step for the accounting profession to communicate to the public what the practice is all about and how the accounting profession's skills are essential to this practice. At the outset, promoting its own worldview of the nature, scope and expertise needed in the forensic accounting practice grants the profession the legitimacy of the practice, and hence the enjoyment of the state and corporations patronage (Johnson, 1972).

From a practical perspective, the current multi-faceted nature of the forensic accounting practice made it difficult for the accounting profession to structure and settle on a definition of 'forensic accounting'. Each interviewee defined forensic accounting in the context of the services he or she provides. For example, one forensic investigative partner defined it as *'an investigation of complicated financial scenarios that may or may not lead to disciplinary action... the job is to analyze and present it and make it comprehensively easy to understand to our clients.'* (Interviewee JO); while an expert witness interviewee defined it as, *'the ability to prepare accounting-based reports to the court'* (Interviewee CH). Another expert witness interviewee emphasized the importance of *'using one's expertise and experience to investigate financial matters and give expert evidence in civil and criminal trials and before arbitrations'* to the definition of forensic accounting (Interviewee CM).

The definition was not only found different in the context of the services provided, but also on the basis of the organisational group that provide the services. Many of the Big Four forensic accounting partners interviewed revealed their dissatisfaction at the labelling of their practice as narrowly as 'forensic accounting', as one big four partner stated, *'When you define our practice as forensic accounting, that, in my personal view, is quite a narrow definition. In some ways, forensic accounting is almost cost-oriented. Investigating and digging into costs, have they been properly incurred, all that sort of stuff. Frankly, that's a tiny part of the business. The most interesting part of the work has to do with looking forward rather than back. So we tend to call it damage analysis or litigation. The outside world often calls it forensic accounting, which to a certain extent is a misnomer. I would say I do relatively little forensic accounting, but I do a lot of valuation work, analysis of lost profits, capital asset tracing models, quantitative analysis, various valuation techniques and all that sort of*

stuff...so I wouldn't really describe myself as a forensic accountant.' (Interviewee, DH)

As discussed in chapter 2 (section 2.1), this move away from merely being forensic 'accounting' practices is something also noticed in professional accounting bodies' pronouncements. Yet the practice of forensic accounting is exclusively owned by the accounting profession, reflecting (Power, 1999) the notion that the accounting profession earn legitimation of a certain jurisdiction not due to the content of the work, but rather through the whole process of owning the practice. In other words, even if the word accounting was to be scrapped from the definition, accountancy would continue to be at the heart of the forensic investigations because as things stand today and in the future, no other professions, be that law or engineering, can supply the ever increasing demand of forensic practices. As emphasised by one interviewee:

'Accountancy is the core skill of forensic accounting. All the cases we work on will have, at their centre, accounting issues. And that's our métier. Therefore, most of our people, if not all, are qualified accountants' (Interviewee CM, Sole forensic practitioner and senior committee member of FEWG)

Yet one must not ignore the fact that this process of socially constructing the definition of forensic accounting to best suit a particular professional subgroup's own expertise, skills sets and credentials can be defined by as a 'political struggle for competitive advantage': *'...the importance of a profession's social structure lies in its effect on professionals' abilities to maintain themselves within a competing system.'* (Abbott, 1988: 82). Or perhaps the reason for such conflict is the different audience that the two tiers firms (i.e. Big Four accounting firms vs. forensic boutique firms) provide service to, where most, if not all, large accounting firms clients are multi-national companies with large international problems that need a wide set of expertise. This issue is discussed at greater length later in this chapter.

This section has focused on answering the first RQ: what does the construction of the meaning of "forensic accounting" reveal about the development of forensic accounting in the UK?

It can be concluded that the definitions of 'forensic accounting' collected and analysed in this study mirrored what can be seen in the literature, in that the focus of each definition offered was dependent upon the background and experience of those

who were offering their definition of the term, certainly added breadth and variety to be considered and accounted for. For the *accounting* profession, this may not be a bad thing: Huber (2012), for example, argues that having varied, inconsistent definitions of forensic accounting works strongly in favour of the accounting profession, since the power of any interpretation of the role, services and skills is largely left to the accounting profession, who educate their external audiences who are in need of their services (Power, 1997).

5.3 The world has changed so as the dynamic of the forensic practice

Perhaps the problem of constructing an appropriate definition comes hand in hand with the fact that forensic accounting engagements are no longer considered just a split of investigative and litigation support services. As the notion of audit witnessed an explosion of its identity, touching each and every aspect of businesses operations (Power, 1999), so did forensic accounting. But before providing a detailed account of what the current facet of forensic accounting practice is, it was of strong interest to understand why the dynamic of the practice changed in the first place and how the accounting profession used such factors to its advantage of legitimating the forensic accounting practice.

5.3.1 Disturbance to a profession's jurisdictions: an opportunity creator for forensic accounting

“If we can understand the beginnings and endings of these disturbances, the way they propagate, and the conditions determining them, we will have an effective model of professional development” (Abbott, 1988: 90)

Forces, or using Abbott's (1988) terminology, “system disturbances”, constantly change the dynamic structure of any profession. Systems disturbances, as thoroughly discussed in chapter 3, may come in the form of internal disturbances caused by development of new knowledge or skills (more details are to be found in section 5.4) or external disturbances caused by technological, organisational, and cultural imperatives or political interferences, which is the focus of this section. These forces are likely to either strengthen or weaken a profession's jurisdiction by opening or closing areas for work to be done by existing or new groups seeking new jurisdictions

(Kotb et al., 2012). External sources of system disturbances, within Abbott's theory (1988: 92), are meant to '*provide professional groups most new professional tasks*'.

In Britain, instances of external jurisdictional disturbances are embedded in the history of the accounting profession, where for example an opportunity was created for accountants to extend the boundaries of their jurisdiction when the state required companies to audit their accounts by recognised professional accountants from the UK companies Act 1948 onwards (Pong, 1999). In the 1990s, extended regulation such as the EC 8th directive and the Financial Services Act granted accountants operations in yet new arenas, notably consultancy and the selling of financial services (Robson et al., 1994). Similarly, in this study, state regulation once again allowed the accounting profession to extend its practices into new areas of work. The traditional investigations and the subsequent testifying of an accountant in court have recently been extended to include more exotic practices as one Big Four forensic partner notes: *Traditionally, forensic accounting engagements involved forensic investigations and expert witness evidence, but now it has expanded increasingly to involve forensic technology, corporate intelligence, economic disputes, property and construction disputes, intellectual property and regulations and compliance*' (Interviewee JO). However, the non-stop business failures and scandals have resulted in **economic disturbances**, followed by **political interference** and a tsunami of litigation. Indeed, this has created an enormous market for the forensic accounting practising firms, one which has increased the growth of their forensic consultancy practice in areas of dispute such as economic disturbances in business operations (commercial or other), compliance with new regulations (for instance, UK bribery Act, Basel III, Anti-Money Laundering Directive) and a flurry of all types of investigations in various industry sectors. Economic disturbances have two effects on our society. First, they lead to money wars and disputes between different parties and second, in recessionary times, *the tide goes out and you can see what debris there is on the beach. In other words, when trade is low, the fraudsters who are in organisations tend to be more prominent*, as one interviewee explains (Interviewee CM, Sole forensic practitioner and senior committee member of FEWG), which will lead into more investigations as to what went wrong. Of course, both scenarios will immediately call for forensic accounting services. But what appears to be more influential on the growth of the

market is the increased alertness of regulators, not only in the UK, but globally. In the words of some interviewees:

'I would say economic factors have caused disputes and things like that to happen and therefore require a response but to me economics and various other things have changed political perceptions about lots of areas which has led to regulations legislation etc. which then has driven changes to practices. That's where the FCPA started 10 years ago... driven into the bribery Act...I saw yesterday President Obama has signed the new memorandum saying now this sanctions regime, I can apply to different scenarios and that's going to drive more investigations as to what trading is going on between companies and Iran etc. Those things I think have been more instrumental in the change of what we do than anything else. So political reforms have a very big influence on how we're developing as practices' (Interviewee GG, Big Four forensic partner)

'I think the forensic accounting industry is driven by regulators. For example, the Financial Service Authority was so heavily criticised, particularly during bad times, which pushed them to take matters more seriously and increase their investigations. So basically they said, we're going to investigate any allegation of miss-selling in the banks, whether its profit protection or its LIBOR⁴⁵ or any other issues, which means companies need to employ us to help understand what the problem is, to help them put it right. That's one aspect; another influential aspect [which changed the dynamic of forensic accounting practice] is new legislation. So the UK Bribery Act and the US Foreign Corrupt Practice Act, for instance, have driven a huge amount of business for us over the last 10 or 15 years... That, of course, makes our job bigger. So those are the big drivers that boomed the forensic accounting industry. The other thing, recently, that's been driving work on the expert witness side is the growth of the international reputation of London courts. So all that Russian litigation and various other corporate litigations have been happening in London and [they] use us as expert witnesses.' (Interviewee JS, Big Four leading forensic accounting partner)

⁴⁵ LIBOR is the average interbank interest rate at which a selection of banks on the London money market are prepared to lend to one another (more information can be found on <http://www.global-rates.com/interest-rates/libor/libor.aspx>)

'I think more criminal investigations are growing... [as] a result of the recession. And then of course the Proceeds of Crime Act, Money Laundering Regulations, all sort of brand new areas of regulation that aim at controlling economic crime, have created a vast amount of investigations and other services for forensic accountants. I've got cases where I work with law enforcement agencies to investigate companies and many others working for companies to understand why they're getting investigated. Two-way profit for us.' (Interviewee JG, forensic boutique senior partner).

The extended jurisdiction of the accounting profession within the forensic accounting practice is thus rooted in, and dependent upon, the growth and instability of Capitalism (Sikka & Willmott, 1995) and the ever-expanding role of the modern state in regulating economic and social life (Willmott, 1986:556). Forensic accounting practitioners can now claim expertise in any situation where there is a call for accountability, let it be regulatory investigations, regulatory compliance (UK bribery Act and the tsunami of other regulations forced organizations to seek out for the assistance of forensic accountants to avoid sanctions and reputational risk), fraud investigations (vulnerable organizations will immediately turn to forensic accountants to estimate its losses, how much it can get back and more importantly what internal control systems it needs to avoid fraud in the future).

Another external source of system disturbance that has transformed the forensic accounting work performed by accounting firms is **technological advances**. Indeed, the evolution of the information technology era has led to an increased codification and standardization of certain aspects of accounting knowledge that clearly has: (1) automated some of the work carried out by accountants and (2) permitted non-accountants to carry out tasks previously reserved to the accounting profession members (Haugh 1975, 1977, Lawrence 1998). However, as argued later in this chapter, the accounting profession was still capable of maintaining the control and legitimacy of the forensic accounting practice, by employing non-accountants to work under their lead, as has also been done in a number of their other consultancy service lines (see Kotb et al., 2012). Nonetheless, technological advances have created massive new task areas for the accounting profession, particularly in the forensic accounting industry, where almost all of the large accounting firms and forensic boutique firms have seen the case for creating a separate forensic technology

department, not only assisting forensic accountants in investigations, but running stand alone service lines such as: forensic and regulatory analytics, E-discovery response, information risk management, cyber crime and data breach investigations, IT expert witness services.

The interviewees stressed the evolving nature of technology and the necessity of keeping up to date with today's technological pace, as expressed by a number of interviewees:

'The biggest growth area is around the use of technology. For example, we are now working on a big investigation on phone hacking and it involves more than 250 million documents, emails etc that need analysing. That cannot be done manually so the technology is constantly evolving to capture various data, new analytical techniques to analyse vast amount of data and fact finding so things with technological background is a growth market. Indeed if you haven't got the technology capability you are not going to be able to get on the short list for a number of big projects at the moment.' (Interviewee GL, Big Four forensic partner)

'The most significant development in our practice is around the growth of technology, certainly here and, I think, in the other Big Four, we provide it as a sort of a freestanding service, not just supporting the other work that the forensic team does. So it's not just supporting investigations or helping to generate insights on disputes; it's actually sometimes, and very often, we're instructed just to do the technology work and nothing else where we're not involved in the other elements of the dispute, but we are doing the technology support. This has become 90% of my work.' (Interviewee SB, Big Four forensic technology partner)

This section has focused on answering the following RQ: What are the external factors (disturbances) that affected the demand for forensic services, and how did those external factors impact the accounting profession (i.e. did it create or abolish new opportunities in the forensic accounting practice, did it change internal knowledge and skills requirement, did it require the employment of other professional groups)?

The implementation of computerized technology and advanced information systems

has led to a fundamental restructuring of how forensic accounting is practised and provided 'new territories' for legitimation so that technical knowledge became a vital selling point of these practices, and hence acquiring technological expertise is significant not only for their growth but also their survival. The internationalization and globalization of their client base creates enormous volumes of transaction data that can only be captured and analysed through forensic technologies and methods. This has increased the salience of the accounting profession's forensic accounting practice and has clearly changed the dynamic of forensic accounting.

It is evident that those external disturbances have empowered the accounting profession to extend its practices into new areas of forensic accounting. However, it has been argued in the accounting literature that the growth of the accounting practices and their success in new business avenues are also due to the commercial interest of the accounting profession (Hanlon, 1994, Williams, 2005). Therefore, it could be argued that the emergence of forensic accounting as a recognisable discipline over the past 30 years is not only a response to an increase in demand for professional expertise representing financial realities for the purpose of legal consumption. Rather, commercial interests combined with determined efforts of the accounting profession to convert 'forensic accounting' into a distinct and highly recognizable professional brand '*through the strategic bundling of investigative, analytical, and advisory services and the marketing of the industry as a type of one-stop shopping for the financial security needs of the corporate sector*' (Williams, 2006: 216) is another reason why forensic accounting became one of the most profitable and global branches of the accounting profession's consultancy network. Indeed, interviewees have focused on demonstrating some of the profitable parts of their practices, and the next section will show how they successfully marketed the need for these services in order to survive in today's crisis-wracked economy.

In a similar vein, Hanlon (1994:12) expressed the essential need to build an enterprise culture for the accounting profession's survival - 'a culture that enables them to promote competitive individualism, with an emphasis on retaining clients, pleasing customers and promoting business virtues'. As Hanlon (1994:150) phrased it, 'Today, the emphasis is very firmly on being commercial and on performing a service for the customer rather than being public spirited on behalf of either the public or the state'.

With commercialisation playing a significant role in shaping forensic accounting practice, it was crucial to investigate how the accounting profession presents the ‘horrific’ political and economical influences to its external audience in pursuit of legitimacy and power over the forensic accounting industry. The next section discusses this phenomenon in depth.

5.3.2 Techniques of Legitimation: Framing the need for forensic accountants

For a profession to claim a jurisdiction - its legitimate control of a problem- it must ask ‘society to recognize its cognitive structure through exclusive rights’ (Abbott, 1988:59)

As discussed in Chapter two, today’s corporate environment is increasingly saturated with different forms of risks that threaten not only the financial accounts of organisations, but also their symbolic capital (i.e. their reputation, good image and public trust). It is evident that the accounting profession was first in line to emphasize the negative impact of those risks on the society as a whole, but also, most importantly, the risks deemed most profitable for their business plans. These events have created a huge opportunity for accounting firms to market their expertise in addressing ‘*strategic, operational, compliance-related, financial and of course reputational risks at each and every stage*’ (as advertised on KPMG’s UK website).

It was important at this stage for large forensic accounting practicing firms to communicate to their external audiences (whether their corporate clients, individuals or governmental units) the huge influence of today’s multi-faceted risks on their businesses and why they need the well-rounded expertise and multi-disciplinary vision of the accounting profession to address their dilemmas in a never-ending risk crisis. For example, a brochure produced by KPMG invoked: ‘*the days of single risk events are behind us. In our more connected world, one risk event can create a domino effect of other risk events. Think of Super-storm Sandy’s knock-on effect in terms of shutting down the New York Stock Exchange and how that affected businesses thousands of miles from the storm as a recent prime example.... that’s why our clients rely on us take immediate and decisive action to prevent, detect and respond to potentially contentious or harmful situations. Equally important to us is the ability to take a strategic approach, helping to advise our clients on claims,*

recoveries and other action that can be taken based on what we have found.' (KPMG, 2013)

A similar message was conveyed by PwC to portray the risk of cyber crime in today's techno-centric environment: *'Cyber attacks can be designed to disrupt business continuity, misappropriate sensitive data, and even jeopardise the safety of corporate infrastructure. These incidents can have serious commercial consequences for an organisation... Failure to deploy the appropriate resources can limit an organisation's ability to respond to an incident and cause irreparable damage to its reputation... We have the ability to deploy multi-disciplinary teams of forensic investigators, security professionals and crisis management experts... [who] are responsible for identifying, capturing and analysing electronic documents including emails, transactional databases and network server logs.'* (PwC, 2011)

Addressing a slightly different audience⁴⁶ based on their market concentration on US-based global firms, FTI Consulting uses US statistics to warn organisations of the most *'daunting threat'*- employee intellectual property theft: *'A recent study by the U.S. Federal Bureau of Investigation found that 44% of the companies it studied had experienced internal theft of intellectual property... Companies face serious risks from employee intellectual property theft, which is difficult to detect. To protect themselves, they need strong boarding and exiting policies, plus computer forensics expertise... FTI Consulting can drive, support and sustain solutions that help organizations maintain and enhance their enterprise.'*

It is evident that the accounting profession has employed a variety of metaphorical strategies to both market and legitimate its position in the forensic accounting market. The accounting profession was keen to utilise the economic disturbances (discussed in section 3.2.1) to the advantage of its marketing campaign, thus, it was important to: (1) construct identifiable damaging threats; (2) ensure the vulnerability of companies across all industries- *no company is immune from such threats* (FTI consulting, 2012) (3) frame these threats in terms of specific forms of loss that organisations should carefully consider i.e. financial and reputational loss; and (4) mark and define the

⁴⁶ FTI Consulting has grown from a small forensic accounting firm founded in Maryland in 1982 into one of the largest global advisory firms. Most of FTI Consulting's clients are American based firms (more information can be found on <http://www.fticonsulting.co.uk/our-firm/case-studies.aspx>).

suitability of expertise offered by the accounting profession as the most appropriate ‘solution’ to these problems (Abbott, 1988; Williams, 2002). These subjective constructions of the corporate problem were seen by some researchers (Williams, 2002, 2005, Rigakos & Geener, 2000, O’Malley, 1991) as an attempt by the accounting professionals to selectively encode and dramatise the wider corporate environment in terms of identifiable threats and sources of harm to increase their chances of rendering forensic accounting services in terms of identifiable commodities that may be purchased or sold within the context of ‘risk’ markets. It is this type of tactics that is central to the institutional authority of professions (Abbott, 1988; Ericson & Haggerty, 1997).

The results indicate that the accounting profession's attempt to expand the definition of economic crime to include an array of different activities and behaviours such as employee fraud, white-collar crime, corporate fraud, cyber attacks, bribery and corruption risk, daunting employee intellectual property theft etc., impacting a whole range of industries and parties from the financial sector, communication and telecom sector, energy sector, governmental sectors, pharmaceutical sector. These strong claims-making efforts allowed the accounting profession to claim a powerful position as the main provider of forensic accounting services. *‘When companies are faced with such problems and threats, not only their success but their survival depend on who they turn to for help’* (Interviewee AG), explains a Big Four forensic partner.

Another key component of the claims- making activities of the accounting profession is the publication of its own statistics of global economic crime (Williams, 2002) such as the PwC annual global economic crime survey, KPMG annual forensic fraud barometer, Deloitte’s Internal audit fraud survey and E&Ys global fraud survey. Since the 1990s, the accounting profession has reinforced its exclusivity by publishing what Ericson & Haggerty (1997:106) referred to as ‘risk media format’, which is a ‘medium through which risks are made visible’:

‘Corporate fraud, which appears in many guises, poses one of the single biggest threats facing business today. The growing incidence of forged cheques, phony credit cards and expense-account receipts, weird account imbalances, shredded documents, blank computer screens, downed networks, empty promises and even emptier bank

statements all bear witness to that fact. Billions upon billions of dollars have disappeared, and continue to disappear every single working day. Given enough opportunity, and left unchecked, fraud would bleed most companies dry.' (Deloitte & Touche, 1995 as cited in Williams, 2002)

It is clear from the form and wording used by industry leaders that fraud surveys are ultimately marketing tools. They not only act as a supply of concrete figures to support industry claims with respect to the nature and incidence of economic crime, but also represent a reliable and predictable source of publicity for the sponsoring firms, which earned the accounting profession huge publicity and marketability to the extent that National Fraud Authority⁴⁷ has cited PwC's 2011 Global Economic Crime Survey and its 2011 Fighting Fraud in Government in its 2012 annual fraud indicator. It has been argued by Williams (2002) that usually the types of economic crime advertised in those surveys are some of the most profitable for their practice and indeed growth strategy.

What is even more significant and plays a critical role in not only the legitimization of the industry but also the expansion of the accounting practices in new jurisdictions (i.e. forensic consultancy and advisory services) of forensic practice is the representation of the inescapable threats of globalisation and the constitution of the critical role accountants play globally to help businesses move forward. As one Big Four forensic partner puts it:

'The demand for forensic skills and expertise has massively increased in today's complex and highly competitive marketplace. Conducting business globally can be both exciting and unnerving. It produces new opportunities to expand, but can also present new vulnerabilities and complexities. With complexity comes problems and risks that need to be identified and sorted...at the same time, there is a lot more stringency on companies, particularly by regulators, when something goes wrong...Corporate firms are then interested to determine what the problem is, the scope of the problem, who is involved, how to get rid of them without being sued and what control mechanisms is needed to prevent it from happening in the future...no one

47 In 2008, the Government created the National Fraud Authority, which set up the fraud measurement and analysis unit to improve the way fraud loss is mapped in the UK, more information can be found on the home office website (<http://www.homeoffice.gov.uk/agencies-public-bodies/nfa/about-us/>)

can provide such well-rounded services except firms like ourselves(reference to the Big Four).’ (Interviewee GL).

At the heart of this legitimization strategy is the fall of the economy and the flow of regulations that follows; these have certainly influenced the economic, political and social rise of the forensic accounting profession. During an economic downturn the audit profession is subjected to close and critical scrutiny for fraud scandals and audit failures. This creates enormous opportunities for the forensic accountants in audit negligence cases and in many other investigations into the financial crisis as evident in section 5.3.1. As one interviewee expressed it:

‘A financial downturn creates pressure- I’m sure you’ve heard this all over the place- creates financial difficulties, creates disputes and pushes companies into difficult situations. In the past, when everything was going along nicely, businesses tended to ride with their problems and say, Ah well, OK, we’ve had a problem on that contract, we’re not going to bother fighting about it because of legal and experts fees, so we’ll just close the file and move on. But now when there aren’t that many contracts out there, the fight becomes important, more pressing, and therefore is pursued.’ (Interviewee GS, Forensic Accounting Boutique firm Senior Partner).

Indeed, the economic downturn and the aftermath of a litigious environment play a crucial role in the legitimatisation of forensic practice, if only in those instances when the forensic accounting practising firms were aware of the right words to deploy in marketing the ‘collapse of the economy’ and ‘essentiality of regulatory compliance’. KPMG (2010) and PwC (2009) have certainly succeeded in portraying such an image:

‘Approximately one year after the global financial crisis took place, there has been a significant increase in the number of corporate bankruptcy cases. It is expected that they will exceed 5,000 in 2009, an unprecedented number in a calendar year.

....as the full extent of the financial crisis, and its wide-reaching impact, started to become clear....the first priority has been for organisations to attempt to minimise their own losses and ensure their business is secure, before starting to consider entering potentially lengthy litigation or arbitration, with the costs and risks that this entails’ (KPMG, 2010).

Regulatory compliance is not a project – it is a way of life. It should not be

approached as a one-off exercise, but as something to be embedded in the business and engrained in the corporate DNA. Our aim is to help you achieve sustainable compliance, which means, amongst other things, not being dependent in the long term on external advisers such as us. Accordingly, training and knowledge transfer is a major part of what we do. (PwC, 2009)

The continuous process of seizing new problems, and indeed finding and labelling them, remains the main endeavour essential to the survival of professions and creates new streams of growth and revenue on which their business model is built (Abbott, 1988). The accounting profession, indeed, has been critical in establishing its legitimacy and capacity to respond to any problems of its external audience. O'Malley (1991:174) noted the link between the commoditisation of security and the dramatisation of current and new lines of risk, threats of economic downturn and complexities of globalisation, where he argued: 'to a very large extent, the meaning of security is symbolically constructed in tandem with that of a specific threat or danger. Thus to provide security as a commodity involves specification of the danger in such a way that the potential consumer is made aware of it as an immediate problem whose resolution or abatement requires the purchase of security or commodity'. One Big Four forensic partner was very candid on this account: '*we all look out for new changes being a driver of something happening we can sell services on*' (Interviewee GG). Similarly, another Big Four forensic partner confirmed that '*in one sense our strategy was that we did stuff for money, so anything that comes through the door, we have now grown and expanded and we have now many more different businesses within our forensic business*'. In conclusion, this section focused on discussing the results of RQ: Why was the accounting profession successful in legitimating the forensic accounting practice? What are the strategies that the accounting profession used to build a professional image as the main provider of forensic accounting services in the public and legal arena?

Overall, what emerges from this discussion is the centrality of claims regarding the nature, incidence, and implications of the different forms of economic crime, the risk of globalisation, the growth of regulatory compliance requirements and uncertainty around the current economy to the meeting of the organizational demands of profitability, growth and legitimacy within which the accounting firms operates. The accounting profession succeeded in not only claiming the legitimation of the forensic

accounting jurisdiction and expanding in all its territories but also in convincing its public audience of its exclusive rights in such a territory. In the words of one forensic partner, working in a specialist forensic accounting boutique: *'the forensic accounting is by and large left to the accountancy market'* (Interviewee JG).

The next section investigates the jurisdictional areas that the accounting profession succeeded in claiming expertise in, given their strong legitimization campaign.

5.4 Forensic Accounting Services: The Accounting Profession's attempt to define and extend its areas of jurisdiction

. This section focuses on discussing the results of the following RQ: Which areas of forensic accounting practice (professional work) did the accounting profession claim professional expertise in? Why did forensic accounting practicing firms witness growth in those areas of practice (i.e. extended jurisdiction)?

Since the mid-1980s, forensic accounting has undergone a number of significant transformations that have altered its nature and essential functions. The most notable of these was the re-casting of forensic accounting beyond expert witnessing to include a wide range of investigative, advisory and consultancy services:

'Forensic accounting, or forensic wasn't really a word that was applied when I started off in the 90s, it's a term we [the accounting profession] have coined. I would probably say that forensic accountancy is relatively a new profession that has grown up over the past 20/25 years and it's undergone a lot of evolution in that time and its gone from being very much focused around numbers in disputes to investigation of criminal activity' (Interviewee AG, Big Four senior forensic partner).

'When I joined forensic in 1992, we had 15 people in the department and now we have over 300 specialists. We do all kind of investigations we did not do back then. It used to be quite clearly split, expert witnessing in one hand and fraud investigation on the other hand but now it's massive. We have, for example, an economics team that deal with forensic economic analysis and provide economic evidence in court; we have a team who are in touch with intellectual property and [an] intelligence department that do asset and cash chasing and help law enforcement agencies in

investigations. We also have technology people that are in charge of data analytics.'
(Interviewee JO, Big Four forensic partner)

Interviewees were asked to comment on which forensic accounting service areas were growing the most in the UK, where four main categories were identified. The first category, which was reported by interviewees to be one of the fastest growing service line, is investigative services. Investigative services include quite a broad spectrum of services, such as regulatory investigations, where big 4 interviewees emphasized the growth of Bribery Act investigations, while US Foreign Corrupt Act investigation was significantly provided by the forensic boutique firms. Additionally, interviewees reported the significant rise of regulatory investigations of financial services sectors, including mis-selling investigations, PPI investigations, insurance investigations and tax investigations. In this category of services, forensic accounting practising firms can be either instructed by the client under investigation or work jointly with law enforcement units such as the Serious Fraud Office, HM Revenue and Customs, National Fraud Authority and Financial Service Authority.

Investigative services also include financial irregularity and non-financial investigations. Financial investigations include fraud investigations, money laundering investigations, asset misappropriation investigations, valuation and matrimonial investigations and investments scams investigations. Non-financial investigations involve forensic accounting firms in different types of investigations that do not involve numbers, such as investigating a client's employees' backgrounds, a corporation's background before a merger and/or acquisition transaction (known as due diligence transaction), whether an accounting firm was perceived as negligent⁴⁸ or for example why a project was not completed efficiently. Big Four interviewees provided the following characterization of the type of cases typically encountered by their firms:

⁴⁸ It was reported by one interviewee that sometimes their firm was involved in providing an opinion as to whether the audit was negligent or not without being involved into the financial impact of such negligence.

'Investigations have been the growth area recently. Our investigation services include everything from fraud – someone's stolen some money, how much is it, are we going to get it back? – through, have we been miss-selling products, could we understand the way that works. That is growing and will continue to grow. It's growing because regulators are much more excited at the moment, so the Serious Fraud Office, the Financial Services Authority, etc., they are making companies investigate, so particularly around bribery and corruption and various other things. They need to employ us to be able to do those investigations. And bribery and corruption investigations have been multiplying every year for the last five or six years, because you can't overlook a problem in Mexico if there's been an allegation of bribery there that you might have done a few years ago. Services around business integrity and reputation damage, so our investigation practice is growing 30% a year' (Interviewee JS, Big Four forensic partner)

'Investigations can be bribery and corruption, it could be compliance investigations, fraud asset tracing, whistle-blower investigations, that sort of stuff, compliance elements that come out of that. , I think the investigation service line has changed in terms of the profile. 10 or 15 years ago we were doing a lot more work on asset tracing type cases, and I think now it's much more around some bribery and corruption and compliance type stuff. And there's been also this advent of the competition type investigations. Competition is quite a hot area at the moment.' (Interviewee SB, currently a Big Four forensic technology partner and previously an instructing lawyer)

In contrast to the Big Four firms' massive increase of UK Bribery Act investigations and the compliance matters that come with it, the forensic boutique firms witnessed an increase in American-driven investigations:

'Well we do fraud investigations; we do regulatory investigations, whether that's acting for the regulator, if it's the Serious Fraud Office, or acting for companies who are under investigation, assisting them with their investigation. We do, ermmm; I was going to say bribery investigations but there aren't many of those about at the moment... we do what's called FCPA investigations (Foreign Corrupt Practices Act), essentially they come from the U.S. so we do a lot of that type of work. We also get involved in due diligence transaction testing and not so much on the forensic

accounting side but we've got a business intelligence that comes under the sort of forensic umbrella and that's all manned by analysts rather than forensic accountants. We do asset tracing, cash tracing and such things as well.' (Interviewee JH, forensic boutique firm senior partner)

'....the growing part of our work, the FCPA stuff [is]: If the company's listed in the U.S. and the SECs & the DOJ have received complaints about them or they've got suspicions about them, they have the power then to go to that company and say "Right, okay, essentially we want to go through all your books and records.' And they can say, "we want to know about all your dealings with agents in these 10 countries over the last 10 years." And you know that's a big ask of a company because the company's got to continue with its daily operations to run its business and then it's also got to deal with this request from the U.S. regulator. So they will then get someone in, such as ourselves, to assist them to go through their books and records, to interview people, to find out more about their processes and such things, because often they don't know why they've been asked to for that information. And we wonder whether the Bribery Act may develop in that sort of line as well, but it's still early days.' (Interviewee DH, forensic boutique firm senior partner)

The second area of work, which is largely driven by the growth of investigative services, is forensic consultancy/advisory services. Forensic advisory services could be reactive to help clients with recoveries, claims or other actions to be taken after an investigation such as asset tracing services, anti-fraud and anti-money laundering programmes implementation and assessment, bribery and corruption risk management. Forensic advisory engagements could also be proactive in nature with the aim to help clients to manage and prevent risks of financial crime, fraud corruption and bribery; it includes compliance consultancy services in areas like competition law, Solvency II, Basel III and Bribery Act and whistle blower mechanisms, proactive fraud risk management and fraud prevention strategies.

'The other area that created a huge amount of work, is from the preventive side and from the mediation side, how can they [clients] improve their systems from money laundering, how can they improve their money laundering checks, how can they improve their systems from various other matters so remediation consultancy work is growing at a strong pace.' (Interviewee GL, Big Four forensic partner).

'We provide both proactive and reactive fraud and accounting advisory services. Our proficiencies extend to all aspects of fraud, ranging from fraud investigations, fraud prevention and fraud risk management, to anti-money laundering and asset tracing and recover(y).' (Deloitte, 2009)

'Grant Thornton helps regulated businesses across a number of sectors within the financial services sector design and implement the right corporate governance frameworks, helps firms to understand and comply with their regulatory requirements and establish appropriate compliance and risk management practices. GT also provides compliance training and workshops to senior management and employees of financial services firms to assist firms in keeping up-to-date with regulatory developments and best practice.' (Grant Thornton, 2012)

It may be more appropriate to characterize the activities under this category in terms of the identification, definition, and resolution of specific business problems. In fact, it is this image of the firms as corporate problem-solvers which is promoted by a number of industry practitioners as a more accurate characterization of their engagements, objectives, and contributions. As one Big Four forensic senior partner noted:

'It's an interesting question: do I see myself as an accountant now? I don't think I do. And I think, through the 1990s and 2000s, we moved away from calling ourselves a firm of accountants, we're now a firm of professional advisors. So I see myself as a professional advisor, not an accountant, although that's what I am by training.' (Interviewee JS)

As an Entrepreneurial profession, accounting firms have taught their professionals to act/speak within the larger whole, transformed them into entrepreneurs and corporate colonialists, integrating professionals' individual goals with the overall organizational goals of profitability, growth and power.

Close to forensic investigative and advisory services in level of importance and growth are the forensic technology practices. As illustrated in section 5.3.1, the massive increase of documentation due to the internationalization and globalization of today's corporations has created a huge market for the forensic accounting practising firms in computer forensics, electronic discovery and data analytics. Computer forensics includes capturing and preserving all the data that may be relevant for an

investigation across single or multiple computer systems that could be later used in a court proceeding. E-discovery services involve for example the usage of sophisticated analytic software to identify the documents that are most likely relevant to any sort of investigation, or to search for documents to help a client to solve a current business problem and many other electronic discovery services. Additionally, forensic accounting practising firms use advanced analytical techniques to enhance their investigations and recovery. Interviewees (in particularly the big 4 interviewees) have stressed the extensive increase of their forensic technology practices:

'I think looking to the future, things like cyber-security and cyber-crime will become a very big area, actually, both in terms of preventing the theft of intellectual property through hacking, and other forms of cyber-crime and the investigation of breaches.'
(Interviewee AG, Big Four forensic senior partner)

'The technology support for investigation is growing at a very fast pace, and that technology support is doing its own thing as well as supporting investigation. So, we have a big suite of offerings around electronic discovery services. So, if there's a court case, all the documents need to be provided to the other side, as well as the court: capturing those documents is a big data capture exercise, because it's emails, it's accounting systems, it's other financial data, it's iPad data, it's everything the organisation's got, and that is a big exercise for our e-discovery team. So that's growing fast. And the analytics part of that is growing very fast as well. So how do you spot a financial fraud using data analytics to spot it and address it? The growth in the technology business has been the biggest change over the last 10 years.'
(Interviewee JS, Big Four forensic senior partner)

The last category of forensic accounting engagements is within the disputes market. In the Disputes practice, forensic accountants are regularly appointed to the role of either an Independent Expert Witness, Single Joint Expert or Expert Determiner to communicate robust, compelling arguments on the financial, accounting and economic aspects of a case in various settings including in county and high courts, as well as in arbitration and mediation proceedings. The range in these types of services is notably broad and may include: business and asset valuation in commercial disputes; calculation of economic loss in breach of contract claims; calculation of loss of goodwill in breach of duty or tort action; opinion as to loss resulting from

interruption of business in an insurance action; investigation of shareholder and partnership disputes; wrongful dismissal cases; accountant malpractice claims, post-acquisition disputes, product liability, matrimonial and interpersonal disputes (Williams, 2002). As some interviewees put it:

‘With the dynamic of financial crisis, we are also expecting a tsunami of banking litigation and accounting negligence litigation. There is also ever more complexity in global trade and capital flows traditionally we would go from the developed west out to the emerging east, but we now see change in trade flows, where money flows the other way. There is a lot of money in the Middle East and in other emerging economies like Brazil, India, China is getting richer and investing now in Europe. So there is a lot of capital flows and investment around the world, and that investment, some of it will go well and some of it will go wrong so the global trade and the complexity of transactions will generate problems and disputes which in turn produce enormous amount of work for forensic accountants.’ (Interviewee GG, Big Four forensic partner)

‘I think most of what we do is under the general heading of quantifying damages within legal proceedings. So, if something happens, irrespective of how it’s caused, what is the amount of damage: how much is involved? So, it’s calculating in some form. If something explodes, or something catches alight, or someone makes a mistake and causes damage, it’s all trying to evaluate and quantify the damage. It could be in the context of fraud, so if someone has stolen something, how much has been stolen. And then it might be a question of how did they do it, where has the money gone, so there are other aspects to it. But generally, it’s in the context of evaluating damage. If it’s an accountant’s professional negligence, someone has done a bad audit, for example, and has caused a loss, we don’t get involved as experts as to whether the audit was good or bad, because we don’t do auditing. So, I can’t get up in the witness box and say, He was negligent because he didn’t do this or didn’t do that, because I don’t know. But what we do know is what the damage is that would be caused via his negligence, if he was negligent. So we’ll get involved in the damages side, rather than whether it was a good audit or a bad audit, or whether the advice was good or bad.’ (Interviewee TL, Forensic boutique senior partner).

The interviewees also reported the significant growth of international arbitration in recent years:

'I would say that the international arbitration is growing rapidly, particularly in London. London is a location of choice for many foreign disputants, or disputees, to come to London as their forum, sometimes in the High Court, and sometimes arbitration, because arbitration has the benefit of being private. Things in the High Court are, by definition, public. It depends what they want. So that's a big, growing area. Expert determinations, where a person like me acts between the parties and determines their dispute as an expert, that's become increasingly common in quite big cases, so I would say they are probably the main growth areas.' (Interviewee DH, forensic boutique firm partner)

'On the dispute side and the expert witness side, the bit that's growing is international arbitration. So rather than the traditional court cases, like the Russian lawsuits that have been going through the UK courts, there's a lot of company disputes that are being settled through an arbitration process, and we support those using expert witness. So that's growing pretty fast.' (Interviewee JS, Big Four forensic senior partner)

'The majority of our work is around arbitration, where we asked to provide valuations of financial losses in international arbitration, whether state to state, investor to state – so basically World Bank, ICSID [International Centre for Settlement of Investment disputes] or bilateral investment treaty cases, or commercial cases. Also, we do the same kind of work in litigation. So essentially, it's the same type of work, but in different contexts, in litigation, arbitration, regulatory or anything. For example the former Soviet individuals, Russian individuals, are coming to Britain to fight, which for people like us, you could describe it as good news.' (Interviewee GS, forensic boutique senior partner)

PwC's (2007) study of leading in-house counsels across the globe to understand their perception of international arbitration also supports the revolution within the disputes market where a significant majority (73 %) of corporations prefer to use international arbitration to resolve their cross-border disputes rather than transnational litigation and 95% of corporations expect to continue using international arbitration to resolve cross-border disputes. Additionally, the International Centre for the Settlement of Investment Disputes administered 159 cases in 2011, compared to only 63 in 2003.

International cases administered by the International Chamber of Commerce have also increased over the past several years, from 663 in 2008, to 795 in 2011 (Simpson Thacher & Bartlett LLP, 2006). It is worth noting that the recent growth of arbitration cases as a preferred means to resolve international commercial conflicts and disputes reflects the growing corporate demands of flexibility and privacy. Another key to the success of arbitration has been its speed and affordability (Gera, 2007).

In an attempt to understand further whether this expansion in forensic accounting services was limited to large forensic accounting practising firms, survey respondents were asked to choose which areas of forensic accounting specialty were provided by their firms to their clients. Respondents were also asked to identify any other forensic accounting services that they provide. The survey results support interview results where the division into only two areas of expertise (i.e. fraud investigation and litigation support) was found to be irrelevant in today's dynamic environment in the UK; as shown in Table 5.1, more than half the respondents reported that their firms provided a breadth of other services.

Table 5. 1 Services provided by forensic accountants (n=56)

	No.	%
Expert Witness	54	96.4
Commercial disputes	53	94.6
Valuations for litigation purposes	52	92.9
Professional Negligence	51	91.1
Matrimonial Investigations	49	87.5
Fraud Investigation	48	85.7
Tax Investigation	46	82.1
Personal Injury	45	80.4
Expert Determination	41	73.2
Insurance Claims	40	71.4
Criminal defence	33	58.9
Digital Forensics	27	48.2

A number of other services -which fit within the four categorizations developed earlier- were also mentioned, such as forensic accounting technology, financial service mis-selling, civil and commercial mediation, royalty fraud audit, proceeds of crime investigations, fraud risk management, litigation technology support, valuation of losses and asset tracing. The top ranking in Table 5.1 for expert witness, commercial disputes and valuation for litigation purposes services supports the interviewees' perception of the significant growth of the role of forensic accountants in the disputes markets, particularly, in arbitration cases. The low emphasis on digital forensic analysis shown in Table 5.1 may reflect the relative 'newness' of this kind of expertise in forensic accounting practice (Davis *et al.*, 2009). It also illustrates the monopolisation of forensic technology services by those who can afford the massive budgets and resources needed to keep up-to-date with the ever changing technological aspects of corporations and the world, namely the large forensic accounting practicing firms (i.e. big 4 and large forensic boutiques). This is seen in the Big Four and the large boutique firms (such as the likes of Navigant, RGL and FTI) who have each separated their forensic accounting technology services from their forensic accounting arm in order to offer it as a 'stand-alone' consulting service. This is not confined to

the services they offer: for example, PwC not only offers forensic technology solutions to its clients, using a multi-disciplinary teams of ‘technologists’, accountants and finance professionals, but also offers a scheme to train graduates to specialise in this growing niche area.

By way of conclusion, the most definitive insight to emerge from this overview of industry cases and clients is the tremendous variability, range, and diversity in the services provided by forensic accounting practising firms, and the types of issues which these services are to address. The accounting profession has indeed succeeded in claiming and extending their expertise, knowledge and business in the forensic accounting jurisdiction. In this, they were greatly assisted by various state initiatives to tighten regulation over the loose market that is flooded with fraud, corruption and bribery. The increasing financialisation and inter-connection of the world economy has also encouraged the accounting profession to extend its jurisdiction into many areas of forensic practice. Thus, the accounting profession has gained the patronage of the state, corporations and the whole society that exists within the practice of forensic accounting, as all are dependent on their forensic services not only in maintaining their daily operations, but also in ensuring the survival and growth of their businesses and the safeguard of their reputation.

The accounting profession has certainly reinforced its economic, social and political status in our society by portraying itself as a profession that fights crimes (Williams, 2002). By, for example, signalling to external audiences its affiliation and partnership with the UK state and its law enforcement units working to bring justice and equality in functions of all industries, evidenced by the KPMG’s attempt to work jointly with National Crime Agency or Economic Crime Agency to proactively recover stolen assets and funds from the UK (KPMG, 2011). It is this symbolic capital that is critical to their demand in the corporate world.

This production of social imagery and ongoing negotiations of its occupational boundaries and privileges, of course, among other things (i.e. technology explosion, globalization and economic downturn) has strengthened the accounting profession's legitimation in all areas of forensic accounting practice and thus guaranteed them the attainment of professional status as the main provider of forensic accounting services (Portwood & Fielding, 1981). As Powell (1999:139) puts it: ‘professional service

firms in accounting are in continuous review of their fields as they seek to re-establish their growth trajectories and feel compelled to broaden the range of services offered. In doing so, the emergence of demand for new specialisations and the escalating importance (from a revenue generating standpoint) of other services (especially consultancy) is leading to the reconsideration of licensing arrangements, training, and, career patterns.'

The next section will focus on the expertise needed in the forensic accounting practice and how the accounting profession has managed to develop and acquire that expertise to maintain its positioning as the main provider of forensic accounting services in the UK.

5.5 Building an abstract knowledge image: What qualifications and skills are necessary to be a forensic accountant in the UK?

'Most occupations fight for turf, but only professions expand their cognitive domain by using abstract and professional knowledge to annex new areas.' (Abbott, 1988:102)

This section provides empirical evidence on the qualification and skills required of forensic accountants in the techno-centric environment of the UK with the aim to investigate the internal changes in knowledge and structure that have changed the competitive position of accountants in the practice of forensic accounting. This section will focus on discussing the results of the following RQ: What are the abstract, professional knowledge and skills of the forensic accounting practice?

5.5.1 Academic and professional knowledge: Creating a professional identity

It has been long argued in the academic literature that the UK accounting profession has a unique relationship with the university sector, because no training, education or certification has been developed within the academic domain (See Chapter 3). This view has been challenged recently by a number of scholars (e.g. Kotb et al., 2012), who argue that most university programmes are now accredited and endorsed by the various professional accounting bodies. This means that the professional institutes do

now have some influence over the design of university curricula. In addition, audit firms also sponsor or pay fees for students taking undergraduate courses.

In support of Kotb et al.'s (2012) study, this research has found that the accounting profession has developed a relationship with UK universities in the area of forensic accounting. In order to advance their jurisdiction in the forensic accounting practice and raise the status and image of accounting to that of other professions (particularly law) (Velayutham & Perera, 2008), the accounting professional bodies promoted the development of forensic accounting programmes in UK universities. ACCA, for example, is now sponsoring the forensic accounting courses in: University of Glamorgan, and Sheffield Hallam University. In addition, UK universities seem to have a central role in providing forensic accounting/expert witness training programmes for accounting firms.

'Cardiff University Law School Bond Solon Expert Witness Accreditation is the first university expert witness qualification in the UK and it (is) becoming the industry standard, if you haven't got that, some solicitors won't entertain the idea of giving you any work. If you want to be an expert witness or a forensic accountant, you have to demonstrate that you have expertise in that particular area and one of the ways you do that is by taking another accreditation or qualification such as the CUBS scheme, where they train you over a number of days in things like report writing, giving evidence in court and things like that.' (Interviewee AM, Boutique firm senior forensic partner)

'We send people on forensic courses with (the) London business school, or, we bring in London business school to run forensic courses in-house' (Interviewee GL, Big four forensic partner).

Although the accounting profession was keen to develop some sort of relationship with the accounting academia, they did not want to limit their graduate intakes to accounting degree holders only. As Table 5.2 indicates, 73.7% of the respondents welcome the contribution of different skills in their forensic accounting practice:

Table 5. 2 The required academic qualification

	No.	%
Accounting/business related degree	10	17.5
Any undergraduate degree	42	73.7
A-level degree	4	7

The interview results seem to be in harmony with the questionnaire respondents' opinion. As it was expressed by some interviewees:

'What we look for when we're recruiting is graduates with different qualifications. We're looking for people who might have languages, who might have statistics or maths or legal background. They all bring something slightly different to their approach to work.' (Interviewee TL, forensic boutique senior partner)

'No specific qualification is required, we encourage mixed background in our company.' (Interviewee JH, forensic boutique senior partner)

The encouragement of non-accountant graduates to join accounting firms has been reported in earlier studies (e.g. Annisette & Kirkham, 2007) which show that in most recent intakes of ICAEW graduate trainees, they are more than six times as likely to hold a Math or Science degree than an accounting degree; and more than twice as likely to have a degree in Arts or Engineering than in accounting. The non-accountants' role within the practice of forensic accounting is discussed thoroughly in the next section of this chapter.

Contrary to the accepted view in the sociology of professions, the present study suggests that although the accounting firms situate part of their professional education and training within the accounting academic body, the accounting profession is keen to establish a recruitment relationship with the university as whole- as part of its competitive strategy to maintain legitimacy of the forensic accounting practice- rather than a committed relationship with the accounting academic arm. This anomalous relationship has contributed to the success of the accounting profession in legitimising the professional status of the main provider of forensic accounting practice as it allowed the accounting profession to: (1) keep a training/education link with

universities which grant them the power and prestige of controlling the abstract forensic knowledge and at the same time (2) benefit from attracting the best talents into the forensic accounting practice without restricting itself to certain type of skills.

Whilst the accounting profession was keen on legitimating the academic side of forensic accounting, the accounting profession relies heavily on its formally codified professional knowledge (i.e. professional certification) to protect the boundaries of its jurisdiction from any rivalry completion. There was a strong opinion among the interviewees that *to be considered* a forensic accountant in the UK, it was necessary to be a chartered accountant with sound accounting and auditing knowledge and experience. The badge of an accounting qualification was seen as a crucial selling point for services of this type. One interviewee commented:

'To testify in court, the [Judge, Lawyers] must approve the experts qualification, experience, skills and integrity, otherwise their evidence might be questionable and hence rejected.' (Interviewee, CH, forensic boutique partner)

Any further qualification beyond the accounting credential seems to depend on what would 'impress' the forensic accounting firm instructing lawyers, clients and Judges or Juries, but was never considered essential. It seems that there is nothing to stop any accountant in the UK who wishes to offer forensic accounting services from doing so.

'I definitely think you should have a professional accountancy qualification. That is bedrock. I think for an expert witness, there are some nice but non-essential qualifications out there such the like of the Academy of Experts (which I am member of) and the Institute of Expert witness. On the investigation side, something like Fraud Examiner (CFE) or the ICAEW forensic accountant accreditation (I am accredited by the institute) are useful. Personally speaking, honestly, I do not think that these other additional qualifications are essential. They're nice to have especially if they involve exams; you actually gain some skills in achieving them. If it's simply a case of joining a professional body then it's almost meaningless, but nevertheless, some lawyers and some clients will appreciate them.' (Interviewee GS, Forensic boutique partner)

'The bottom line is you need to be a qualified accountant. After that, it is down to each individual and what they want to do next. One of the reasons people in our firm go for the CFE because it is recognised more in the States. So when we're doing work where we are having to submit our CVs to a U.S. client, which we do work with a lot,

and they see CFE after your name and they think “Oh actually, yes, that’s something I recognise,” even though getting that qualification ...it’s sort of a web-based learning exercise as I understand it...Other people have security institute exams and such things... you think “Well actually I’m a forensic accountant, what’s my client base look like? What would make me more attractive to my clients?” Now in the main it’s experience, having the CV saying you’ve done this, this and this, that’s good but in respect for some clients they will like it if you’ve got additional qualifications, security institute exams, the FSA might like that, they probably do like that; the CFE, as I said, appeals to U.S. clients and such things.’ (Interviewee JD, forensic boutique partner).

Not only the forensic accounting practitioners agreed on the essentiality of the accountancy qualification to the practice of forensic accounting, litigation lawyers interviewed for this study were in favour⁴⁹:

‘We look for quality in the people we instruct. The first question that will be asked from the opposing side and the judge, what credentials your accountant got. I cannot employ a forensic accountant to testify in court and when asked about his qualifications, I would say he does not have any.’ (Interviewee SB, former instructing lawyer, current Big Four forensic technology partner).

‘You have a barrister whose sole objective is to make you look an idiot, and believe me you will be one if you did not bring a qualified accountant to give evidence.’ (Interviewee CD, Mediator)

The survey also indicates that the majority of the respondents (81.8%) agreed that in order to practice as a forensic accountant/expert witness, one must hold a professional accounting credential as reported in Table 5.3. However, only 12.3% of the respondents did support the notion of additional qualifications/memberships beyond the Chartered Accountant designation such as membership in Academy of Experts or Expert Witness Institute or NIFA. Surprisingly given the number of respondents who were themselves members of the FEWG, none of the respondents indicated that holding the ICAEW’s forensic accounting accreditation was of any importance.

⁴⁹The instructing lawyers in this study are people who previously worked in the law profession but are now forensic accountants/ expert witnesses.

The results presented here confirmed what Davis et al., (2009) found in the US, where although the three respondent groups (CPAs, attorneys, and academics) strongly supported the importance of a credential, the CPAs considered their CPA license is sufficient enough and were less inclined towards a specialist credential. Attorneys, on the other hand, considered that the courtroom credibility of the forensic accountants they hire is enhanced by a specialist credential. In addition, when the AICPA surveyed law firms, they found that approximately 75% of respondents expected a forensic accountant to hold a specialised credential (Regan and Ebersbacher, 2008). It is evident from this discussion that the UK accounting credentials currently occupy a position of superiority for any professional aiming to practice in the forensic accounting sphere. Williams (2002) suggested a number of reasons for such superiority. First, professional accounting credentials provide forensic accountants with a prestigious image and status, which allow them to lay claim to fairly specific and clearly identifiable forms of professional knowledge and expertise. As Abbott (1988) argues, the worthiness of a profession's knowledge lies on its practical designations (such as ACA or CA), rather than the more symbolic status granted by the abstract academic knowledge. Second, through the professional accounting credential, the accounting profession can exclude other occupational groups from practicing in the forensic accounting market. Third, the accounting qualification also provides critical symbolic value as it encodes and enframes the skills and aptitudes of forensic accountants with the same qualities of independence, objectivity, and integrity associated with accounting in general. Forensic accountants thus enjoy a critical 'symbolic profit' from this affiliation that other participants in the field lack.

It is important to note that as the whole dynamic and structure of forensic accounting has completely changed (see section 5.3.2), there are some parts of the forensic accounting work (for e.g. forensic technology) that do not need the accountancy knowledge or qualifications. As voiced by a Big Four forensic partner:

'Within our team, we have people with lots of different qualifications; some of the skills we need don't really require any professional qualifications. There is room for civil engineers, different types of technologists, financial analysts and investigators. Now some of the investigative things, you need to be a really good investigator; you need to know how to question, to integrate and to sift through data. A lot of stuff you don't learn in school, you learn on the job and you have to have a natural aptitude for

it so I think there is a role for qualification but then let's be realistic, I qualified in the 1980s and a lot of what I learnt is either long forgotten or have been superseded by other things. So it has to do with quality more than qualifications.' (Interviewee GG)

However, on the whole, it could be argued that the accountancy credential possesses an important role in the legitimisation of forensic accounting practice. It could be questioned whether that will remain the case in the future, given the shifted dynamic of the practice that requires a varied skills-set and the input of non-accountants. The next section draws on the notion of skills-set more closely.

Table 5. 3 professional qualification

	No.	%
ACA/ CA or equivalent	45	81.8
ACA/CA or equivalent <i>and</i> Member of Expert Witness Institute, Member of the Academy of Experts and Member of NIFA	7	12.7
No specific professional qualification	3	5.5

5.5.2 There is more to Forensic accounting skills than just accounting skills: the forensic skill-set

Since knowledge is claimed to be the 'currency of competition', it is interesting to see if the accounting profession was successful in developing its skill-set to not only strengthen its claim of expertise in current forensic accounting territories, but to also extend its expertise in other jurisdictions (new areas of forensic accounting practice) (Abbott, 1988:102). This section presents the interviews and survey respondents' perception with regard to the skills-set deemed necessary to be a forensic accountant in the UK. As presented earlier in this chapter, the accounting profession has been keen to acquire the knowledge and expertise of different professional groups. In this section the perception of the participants with regard to whether the contribution of non-accountants was considered to be necessary to fulfil the role is also discussed.

5.5.2.1 What skills and experience are necessary to be a forensic accountant in the UK?

The interview results reveal that the skill-set needed to be an expert witness is far more demanding than the skills needed to act as a forensic accounting investigator. A successful forensic investigator does not necessarily make the investigator a worthy expert witness. As one interviewee put it:

'You've got two subjects here. Preparing a forensic accounting report is one issue. Whether this person that prepared the report is competent and suitable for giving expert witnessing in court is entirely a different issue... somebody can be very good at the technical issues, such as putting a report together, but can be absolutely hopeless in the witness part.' (Interviewee CH, Forensic Boutique Expert Witness Partner)

Taking into account the distinction between the two roles, interviewees provided a detailed account of the most important skills-set for both roles as illustrated below:

'I think, fundamentally, my job is to communicate. I would distinguish between the two types of work: investigations and expert witness work. They're very similar but there are some very important distinctions. My main field of work is international arbitration and litigation expert witness work. The main skill: communication, to be persistent, to be willing to listen, to be able to present information clearly, and in enough detail whether in your report or when providing evidence verbally in court or in an arbitration hearing.' (Interviewee GS, forensic boutique senior partner).

'Whatever your functional background is, you need to have an eye for detail, but at the same time, you can see the big picture. You need to have a very high degree of professional scepticism. You need to be quite analytical in breaking down and analysing financial problems, and finding solutions. You need to be able to communicate, because we are often positioned in situations which are quite stressful- there has been a fraud, there has been a big dispute, clients are worried, people can be fired. So we need to communicate results to the company and to other interested people, lawyers, prosecutors and regulators in a very professional way where they can understand complex financial issues in a simple way. You also need to be rigorous and tough because certainly in the dispute side, whenever you produce a report that goes to court, the other side will try to attack and challenge so you need to

be quite robust. No matter how experienced you are, you still need all of those fundamental skills, which are vital...but those are skills not everyone has, there are some good technicians and some very good accountants who are hopeless forensic accountants. So this is not a job for everyone.'(Interviewee GL, Big Four forensic investigative partner)

'To be a good forensic accountant; you must be analytical to know where to look for details, you must be able to make good judgments, you've got to be able to handle complexity, not to be satisfied with the first answer and to pursue matters to the conclusion. Investigative and communication skills are a must, where you develop a sense of distrust to know who and how to interview, to be able to form opinions and communicate findings whether orally or in a form of reports to the appropriate party. In addition to these skills, if you are giving evidence in court you got to have the corporate court skills so if you are cross-examined you are robust and coherent. Very much ethics are important because we are embodied with the code of practice under the court where your duties are to the court not to your clients but at the same time you've got to do a good job to your clients. I think it's a quite difficult profession.'
(Interviewee AP, Forensic boutique expert witness partner)

'I think you need an inquisitive mind, you need to be reasonably sceptical, and you need to be thorough and detailed. And if you're giving expert evidence, you need to be presentable and authoritative, and you need to be independent of mind. I think being an expert witness needs a different skills-set than a forensic accountant. It is quite tough, especially during cross-examination. So you need to be very confident, and be able to think on your feet, you are going to have to be very detailed and very sure of what it is you're saying in the court. But of course, if you're investigating facts of a company, you're not under the spotlight to the same extent and you've probably got a bit longer to put a report together and talk about it with the company that you're presenting to, to make sure that they're happy with the facts in the report. I do also think that languages became an essential skill given the internationality of all of our practices.' (Interviewee AG, Big Four Senior Forensic investigative Partner)

Communication skills- both verbal and written- were found to be the most significant skill from a lawyer's/client's perspective:

'I suppose I can answer this from slightly an outsider perspective, when I was employing forensic accountants what I looked for as a client, and I think what our clients buy from us isn't - the technical skills are kind of taken as read, that you've got the ability to deliver insight that's focused on the investigation or regulatory matter that's at hand. I think what separates the good ones from the less good ones is your ability to run teams; your ability to lead teams; your ability to communicate with clients in the language that they understand, and to translate financial or other concepts into a form that can be readily understood by an investigation; or acting as an expert witness on a dispute. It's actually your communication skills that are probably the most important element, I think, because the technical stuff, frankly it's kind of taken for granted that you're going to have that.' (Interviewee SB, former instructing lawyer, current Big Four forensic technology partner).

In an attempt to build on the interview responses, a comprehensive list of 23 forensic accounting and expert witness skills areas was developed through a review of relevant academic and professional literature and analysis of professional bodies' accreditation schemes. The responses are shown in Table 5.4. Despite this not being a closed question, no respondent added any others to the list in the space they were provided, attesting to the comprehensiveness of the choices provided to them.

Table 5. 4 The set of skills: essential and desirable (n=56)

		Essential		Desirable		Total		Rank
		#	%	#	%	#		
1	Effective written communication skills	50	89.3	6	10.7	56	100.0	1
2	Ability to analyse & interpret financial information	49	87.5	7	12.5	56	100.0	
3	Effective oral communication skills	41	73.2	15	26.8	56	100.0	
4	Problem solving skills	34	60.7	22	39.3	56	100.0	
5	Fraud investigation skills	31	55.4	25	44.6	56	100.0	
6	Presentation skills	26	46.4	30	53.6	56	100.0	
7	Analytical skills	46	82.1	9	16.1	55	98.2	7
8	Knowledge of rules of evidence & Court procedure	30	53.6	25	44.6	55	98.2	
9	Interview skills	24	42.9	31	55.4	55	98.2	
10	Deductive analysis skills	24	42.9	31	55.4	55	98.2	
11	Court testifying expertise	11	19.6	44	78.6	55	98.2	
12	Loss quantification skills	27	48.2	27	48.2	54	96.4	12
13	Ability to synthesise results of discovery & analysis	27	48.2	27	48.2	54	96.4	
14	Business/asset valuation skills	21	37.5	33	58.9	54	96.4	
15	Knowledge of Legal System	6	10.7	48	85.7	54	96.4	
16	Critical/strategic thinking skills	26	46.4	27	48.2	53	94.6	16
17	Expert witness skills	22	39.3	31	55.4	53	94.6	
18	Cross examination tactical ability skills	16	28.6	37	66.1	53	94.6	
19	Auditing skills	12	21.4	38	67.9	50	89.3	19
20	Conflict resolution skills	8	14.3	41	73.2	49	87.5	20
21	Asset tracing skills	6	10.7	40	71.4	46	82.1	21
22	Ability to think like a 'Wrongdoer'	10	17.9	32	57.1	42	75.0	22
23	Financial advisor skills	3	5.4	21	37.5	24	42.9	23
	Other (please specify)	-	-	-	-	-	-	

As can be seen in Table 5.4, the key skills are communication, analytical, problem solving, presentation, and investigative. This range of skills is emphasised further when the focus is narrowed to consider only those skills perceived as being essential by more than half the respondents: seven skills are identified which could be seen as being the most critical for the role of a forensic accountant –

- effective written communication skills (1);
- ability to analyse & interpret financial information (2);

- analytical skills (7);
- effective oral communication skills (3);
- problem solving skills (4);
- fraud investigation skills (5); and,
- knowledge of rules of evidence & Court procedure (8).

These findings are supported by the literature. For example, the positioning of communication skills in the top-ranked group in Table 5.4 is consistent with Cohent *et al.*, (1996) who stress the importance of being able to effectively present verbally a position in a court of law; and to the importance of preparing internal reports and documentation, including the submission of written reports to the court (Davis *et al.*, 2009). It is apparent that being a forensic accountant and/or skilled expert witness is primarily down to the way you behave, particularly around clients and other interested parties: are you able to ‘translate’ to clients complex financial matters in a way they can digest? As Coffey (1993) explains, attention is given to matters of appearance i.e. the way you talk and speak.

The importance of the skills ranked highly in Table 5.4 is also supported by studies in the US. For example, both Messmer (2004) and DiGabriele (2008) found analytical abilities to be important in the practice of forensic accounting and, in 2009, a survey commissioned by the AICPA indicated that analytical abilities are the principal desired trait by CPAs and attorneys for forensic accounting practice. Overall, these findings strengthen the assertion that these skills are critical for forensic accountants to provide value-added services in engagements that call for more than simply auditing and problem solving skills.

It is also evident that professional accounting skills (2, 19) and legal skills (8, 11, 15, 18) are needed: the forensic accountant is neither an accountant nor a lawyer, but someone with a set of interpersonal and investigative skills underpinned by technical accounting and legal knowledge. The skills more commonly identified as being ‘desirable’ rather than ‘essential’, such as skills in presentation (6), interviewing (9), deductive analysis (10), business/asset valuation (14), the ability to think like a wrongdoer (22), cross examining (18), conflict resolution (20), and asset tracing (21) are skills which many might instinctively believe to be essential to a forensic accountant and/or expert witness. However, respondents favoured the more

generalisable skills, such as communication skills and analytical skills, confirming the interviewees' opinions.

The advanced valuation and investigative skills-set outlined in Table 5.4 is perhaps superior to what is expected from the accounting profession and hence perceived as 'desirable' if accountants can possess these skills, particularly when none of the interviewees have mentioned their importance for the forensic accountant role in the investigation. It looks as though they are considered essential forensic 'non-accounting' skills that must be brought in, as part of the forensic investigative team, particularly in large accounting firms due to their massive forensic accounting practices. The Big Four interviewees expressed the essential role the non-accountants play in their forensic accounting practice. Not only are they part of their forensic accounting teams, but they also have their own departments, teams and clients:

'We started off with just accountants and we have now expanded. Half of our 430 people are accountants and the rest are mix of technologists, engineers, ex-police or security services, economists and a range of other skills. A lot of forensic work requires the expertise of economics and valuations. However, the economics and valuations people sit in a separate group in our firm. We have over 100 economics and 100 valuation people. (Interviewee GL, Big Four forensic investigative partner)

'I would say that the bulk of people we used to recruit were generalists with some sort of accounting background, but with an aptitude towards forensics. But the phenomenon is moving towards having a 50-50 division between accountants and non-accountants. So we have got 90 forensic technologists, 40 engineers, 20 corporate intelligence analysts, 10 people who are doing royalty auditing and licensing type things, software asset management. We also have a few specialists from other areas: investigators, ex-police, ex-security services people... so Mr X [name deleted for confidentially reasons], who used to be at the SFO is with us, he has a Customs and Excise background. The rest are mainly accountants. The reason behind the massive increase of non-accountants in the forensic industry is that we now do a lot of non-financial investigations that do not require accounting skills. So for example, we do a lot of work for the health care regulator to look at why certain

hospitals have higher mortality rates than others.’ (Interviewee AG, Big Four senior forensic partner)

‘The accounting profession is not sufficient. I think to be really good at it [forensic accounting practice] you need a whole series of skill-sets that you’ve got to develop through. So, for example, there’s legal skills: understanding court processes, understanding advocacy, understanding ... what expert witnesses can and can’t do in court, what are their legal duties, etc., that’s a legal process. And then there’s the technology aspect of what we do, and the IT sector can provide lots of understanding and training in how you use data analytics to investigate a problem or to identify a problem, and how you use technology to look through data to provide evidence. I don’t think necessarily an accounting background is what you need if you’re going to be good at certain aspects of forensic accounting or what clients want in that space. So we have lawyers, we have policemen, we have reporters, we have intelligence specialists, within our offering as a firm of forensic accountants. Now, are they: semantically, are they then forensic accountants, is a good question? And they’re probably not, they’re probably just part of a forensic accounting team. But in their own heads, do they see themselves as being forensic accountants? I don’t know. So, yes, it’s how narrowly you want to define what a forensic accountant is.’ (Interviewee JS, Big Four forensic partner).

As illustrated earlier in this chapter, it is obvious that forensic practices are no longer considered just forensic accounting practices. The area demands the depth and breadth of a large range of skills. In order for the accounting profession to stay at the top of their game (i.e. maintain, strengthen and extend its legitimacy in forensic accounting practice) and develop competitive advantage in this area, they need to both employ specialists already experienced in this field and to train their accountants to strengthen their accounting and personal skills. As one interviewee commented:

‘We always wanted to grow this business so we brought new business lines, new revenue streams and to grow it means you need to bring different skills to do different things....Someone who is an accountant cannot suddenly become an economist or suddenly become an engineer, they are different skills. For example, if we want to get involved in a construction dispute. Before, we had some accountants working on

numbers of how much a construction dispute went wrong, but we thought lets expand that and bring in some engineers to figure out why a football stadium wasn't built properly, why bridges, roads and railways have ended up costing a lot more than our client thought. So we thought of working on the why from the engineering prospective of what went wrong plus the traditional bit which is how much it costs. And in areas like corporate intelligence, we need different investigative skill-set. So that's one area, the second area which has seen a lot of stretch in the last 15 or 20 years is the amount of data (90% of data) that is held electronically which raise the need for data specialists to capture it, to manage it, to analyse it and hence what we call forensic technologists are one of the most growing area of expertise. So we had about 8 or 9 of them 5 years ago, we have now around 90. (Interviewee GL, Big Four forensic partner)

While large accounting firms do have deep pockets to invest in different skills, some of the forensic boutique firms sampled in this study did not see the need for it. They instead rely heavily on their accounting skills in their forensic practices, and outsource the non-accounting bits to specialists in their own field. As one interviewee commented:

'I am a businessman. First and foremost, I am a businessman. You can't pay a huge army of people to stand and wait to be deployed. Therefore, the only alternative you have is to outsource. I use my network of contacts to find an international independent consultant and with exactly the right kind of skills, that I need to bring in on a particular case....I'm doing a case at the moment where I've needed to bring in a maritime sector expert, valuing shipyards. So it's all down to commerciality. If I have a series of shipyard cases and shipyard evaluation, and if I can see the business case for employing somebody, then sure, I would. If it's very irregular, one-off, ad hoc, then it would be more sensible to pull in a consultant, as and when. This of course, does not apply to accountancy skills, it's our core skills.'(Interviewee AM, forensic boutique partner)

In large hierarchal organisations such as the Big Four, the objective is to absorb and utilise such bodies of knowledge, not eliminate it (DeZalay, 1995:339), as expressed by one Big Four partner: *'so they [accountants and non-accountants] focus on what they have in common which is a forensic approach rather than what divides them which is their functional skills'*. A different perception was, however, expressed by

one of the interviewees, one that indicated the accounting profession's preference to overpower and control the forensic accounting practice, hence reduce any reliance on other professions. While the interviewee cherished the non-accounting skills, especially the investigative and legal skills, he did acknowledge the difficulties of having mixed teams:

'On the business intelligence side, yes we do have sort of research analysts, economists, valuation people and such things, but I don't know about former police officers. I think in the UK accounting firms tend to stick to accountants, and I personally think that's not necessarily a good thing because I know in the U.S. we've got former district attorneys, former FBI agents and former CIA agents within our forensic accounting segment... these people have got a different background and they can bring more to the role and they've got different connections. Certainly former District Attorneys, they've been through the role as a lawyer, they've come to our firm and they've got a massive network of law contacts so it's a great bonus. I've seen it in the U.S. and it seems to work in the U.S. but over here, I don't know if its reluctance, but it just tends not to happen, you know, accountants tend to stick together and if someone was to come in from the outside it's difficult to relate to them.'
(Interviewee JH, forensic boutique senior partner)

In an attempt to gain further perspective on the situation within a larger scale of the UK forensic accounting community, the questionnaire was designed to not only examine what professional groups were represented in their forensic accounting team but, also, to indicate how things had changed in this regard over the previous two years. Table 5.5 results show that the reported number of qualified accountants employed in forensic firms had increased from an average of 35.1 to 42.8 during these two years, there had also been an increase in the hiring of non-accountants to serve as forensic accountants, resulting in the proportion of members of the forensic accounting teams who were qualified accountants falling from 86.7% to 81.4%. The number of IT specialists, while small, had almost doubled from 2 to 3.7 but the balance of the increase in non-accountants in these firms was due to an increase in the employment of other types of professionals from 2.2 to 4.5 per firm. Echoing the findings of Williams' (2006) Canadian-based study, these included former police officers, forensic investigators, money laundering specialists, asset recovery specialists, tax specialists, and researchers. Employing that type of professional is

particularly valuable as a source of media exposure for the accounting firms. They provide a highly visible and unambiguous source of symbolic codes with which the business community and general public can easily identify, and through which the industry may be selectively represented as a form of ‘policing’ and ‘security’. They are also able to trade on the symbolic commodities of trust, respect and authority in the course of ‘making deals’ (Williams, 2002: 173).

Table 5. 5 Professions working in forensic accounting departments

	2011	2009
	Mean	Mean
People working in firms’ forensic accounting team	52.5	40.4
% who are qualified accountants	81.4	86.7
% who are lawyers	2.3	2.5
% who are IT specialists	7	4.9
% who are economists	0.41	0.13
% of others	8.6	5.5

Based on the evidence provided, forensic accounting teams in the UK became more multi-disciplinary in the previous two years. The internationalisation of today’s businesses, indeed, has totally changed the dynamic of the traditional forensic accounting practices and gave opportunities to other professionals such the like of lawyers, economists, investigators, and forensic technologists to now play a major role in the current forensic accounting practices. The outcomes of such multi-disciplinarity are well established in the accounting profession historical accounts, where although the expertise of other professional groups has been in an increase demand, the accountancy professionals have always been featured as the dominant and discrete body of knowledge at the highest point of any area of expertise they are involved in, which successfully harnessed both the public opinion and legal ratification. When these non-accounting specialists enter the firm, they are still under professional control of the associated ‘accounting partner’ who is in charge of the overall outcome and do certainly act as a channel of communication to internal and external audiences (Cooper et al., 1996).

What seems to matter is less who does the majority of the work and its skills base than who is the institutionally legitimate orchestrator of this work (Power, 1997). This is evident from the accounting profession's successful monopolisation of specialised knowledge base in areas such as environmental audits (Power, 1997) and IT audits (Kotb et al., 2012), while maintaining a powerful superordinate role over other areas that need the expertise of other professionals (i.e. subordinate groups) (Abbott, 1988). Accountants are certainly powerful social actors who, far from performing merely calculative and verificatory services, increasingly shape “the whole apparatus of intervention” (Dezalay, 1995, p. 338) across a wide range of activities and organizations (Power, 2009).

Concisely, it is evident that the defining feature of a successful forensic accountant is the incorporation of highly individualised and idiosyncratic skills such as critical thinking, unstructured problem solving, investigative flexibility, analytical proficiency, oral and written communication, detail-orientated, intuition, and composure. It appears that forensic accounting represents something of a ‘contestable commodity’, organized in terms of social, rather than technical skills and communicated through rather vague representations of personality and charisma (Abbott, 1988; Williams, 2006), or, at least, this is the profile needed for senior forensic accountants in the UK to be able to sell the forensic accounting commodity, as portrayed by seniors interviewed and surveyed in this study.

On the technical side, the accounting skills, which used to dominate the forensic accounting practice in the old days, were found to be not enough for today’s multi-disciplined forensic accounting practice, which drove the accounting profession to hire the non-accounting expertise needed. With this happening, one would expect professional rivalry and disputes within the forensic accounting practice. However, what seems to occur instead is much more subtle usurpations, for instance (as in this case) when foreign occupational groups are invited into a jurisdictional space as long as the legitimacy of the practice is solely owned by the accounting profession. What is at stake here is not only the social construction of expertise (Gendron et al., 2007) and inter-professional (occupational) rivalry, but also how markets are differentially constructed, who is seen to be a legitimate supplier, what the form of service might be, which occupational groups benefit, who is seen to be the client (Dezalay & Grath, 1996, 2004; Dezaley & Sugarman, 1995). As featured in section 5.3.2, the accounting

profession has successfully portrayed the image of the legitimate supplier of forensic accounting practices.

5.6 Conclusion

This chapter chronicles the predominance of the accounting profession in the practice of forensic accounting. The roots of forensic practice were embedded in the early work of British accountants when they were engaged in resolving the fallout from bankruptcies and liquidation (Sikka & Willmott, 1995). However, the recent explosion of the state-driven regulation in order to combat fraud and corruption in the UK, together with the internationalization of all corporate operations, the development of technology and the rise of e-businesses, have all provided opportunities for the accounting profession to claim expertise in an array of forensic accounting services and hence extend and legitimise the forensic practice. The practice of forensic accounting has certainly witnessed a shift from being merely expert evidence work to being an interplay of forensic investigation and expert witness services that branded forensic accounting under the consultancy service umbrella.

The accounting profession has used extensive legitimization strategies to gain its unique symbolic capital in the forensic accounting practice and portray itself to the external audience as the main providers of forensic accounting services. Large forensic accounting practising firms have used fraud and economic surveys, industrial publications and media interviews to represent to the public the threats that result in corporate failures and reputation damage in all industry sectors. Marking and defining the suitability of expertise offered by the accounting profession as the most appropriate 'solution' to these problems was deemed necessary for the success of their legitimization. This strategy has brought them legitimization in four categories of forensic accounting work, namely, investigative services, forensic advisory services, forensic technology services and disputes services. They have certainly extended their expertise in areas such as business valuations, which incorporate due diligence, intellectual property disputes, and cases involving government regulatory agencies; loss of profits assessment which encompass business interruption, breach of contract, and construction defects and delays and loss of earnings which includes personal injury, marital property cases and, most importantly, international arbitration.

Due to the complexity of those forensic accounting engagements, an array of many interrelated skills was needed to be able to provide clients with superior forensic services, where the skills of accountancy were deemed insufficient on their own. The role of non-accountants such as lawyers, IT specialists, engineers, investigators and economists has seen a significant increase in the practices of large forensic accounting firms due to their enormous client base and across the globe services. However, accounting firms, being a powerful social and economic force in society imbued with influence and status (Cooper and Robson, 2006), have ensured that outside occupational groups are invited to practise in its jurisdictional space as long as the legitimacy of the practice is solely owned by the accounting profession. Additionally, being an entrepreneurial profession, accounting firms are hardly bothered as to who performs what, as long as they are all united under the same objective of making money, obtaining growth and strengthening their power autonomy.

This chapter has also investigated the practitioners' perception as to what qualifications and skills are needed to be a forensic accountant in the UK. The accounting credentials were reported to be essential to be able to practise forensic accounting while all other qualifications are gained with the purpose of impressing the client or the instructing lawyer.

It was also reported that a good forensic accountant is expected to be someone who *'can critically review and investigate any financial information'* and be able to *'communicate complex accounting issues to non-experts'*; someone who is able to *'explain his findings using plain English and non-technical language'* to *'assist the court in recovering assets that have been misappropriated'*. It appears that forensic accounting represents something of a 'contestable commodity', organized in terms of social, rather than technical skills (Abbott, 1988; Williams, 2006) or, perhaps, this is how the UK profession, as represented by the interviewees and respondents to the present study, wishes to portray it, to justify its presence as a professional niche.

The next chapter will investigate the independence and the conflict of interest perception and will discuss in depth the role of ICAEW as the main professional accounting body in the UK and the impact of the self-regulatory nature of the accounting profession on the forensic accounting practice.

Chapter 6

Forensic Accounting: the intra-professional competitive nature of the practice

6.1 Introduction

‘...science and skill do not make a physician; one must also be initiated into the status of physician; to be accepted one must have learned to play the part of the physician in the drama of medicine.’ (Becker et al., 1961, p. 4)

Chapter 5 produced a thorough analysis of the legitimation strategies used by the accounting profession to successfully define, construct and extend its jurisdictional authority into the different arenas of forensic accounting. In that sense, Abbott's (1998) framework was found beneficial in deriving themes from the data. However, his approach is limited by its failure to conceptualise how intra-professional relations are influential in shaping the development of professions. With the exception of his brief discussion of how the internal differentiation between the different segments within a profession can affect its external relations with rival groups, Abbott did not disregard from his theorisation the competition between those different segments and the impact of such competition on a profession's structure.

It is one of the contributions of this study to refine Abbott's (1988) model by providing a detailed account of the internal structure of the forensic accounting market. The forensic accounting field is a very competitive, unregulated market that covers a very broad spectrum and its chargeable hourly rates are very high, therefore, many individuals, organisations and professions try to build professional status in this market. Particularly, when its entry boundaries are weak, with no party or association monitoring professional groups, nor guidelines or frameworks regulating their practices. The focus of this chapter is to investigate these themes.

This chapter focuses on discussing the results of the following research questions:

RQ 2E: Why did the accounting profession face inter-professional competition within the forensic accounting practice? What jurisdictional settlements did the accounting profession have to settle for?

RQ3: What does the intra-professional relationship reveal about the structure of forensic accounting market in the UK?

RQ 4: If auditors appointed by a company provide forensic services (separate from audit services) to management or the audit committee, can these services impair the audit firm's independence? If so, under what circumstances?

RQ5: Why is the forensic accounting practice unregulated in the UK?

This chapter is divided into six main sections. After this introductory part, section 6.2 places particular emphasis on presenting the main forensic accounting providers and the strategies utilised by these groups to claim a stance in the forensic accounting services in the UK. This section also provides a comprehensive account of the intra-professional competition between the main providers and their strategies to ensure a competitive advantage over each other in the forensic accounting field. The conflict of interest problem, a factor that has been proposed in Chapter 3 (section 3.3.3) to have heightened competition between accounting (i.e. Big Four) and non-accounting (i.e. forensic boutique) firms are also discussed in this section. In this regard, the section examines three key issues: whether the provision of non-audit services by the accounting firms to their listed audit clients has an impact upon their audit independence, what safeguards are implemented by the accounting firms to ensure the independence of the forensic team and whether there should be more clear guidance in the ICAEW's ethical requirements with regard to conflict of interest and independence.

Section 6.3 is devoted to discussing the UK regulatory context for the provision of forensic accounting services. The analysis of the literature in Chapter 2 (section 2.3.2.2) suggests that forensic accounting services in the UK are being offered and provided in a virtually regulation-free environment. This is the case not only in terms

of forensic accounting being provided by specialist firms but, also, with respect to its being offered by accounting firms as part of their non-audit services – they are allowed to do so in the UK. This section investigates the impact the self-regulatory nature of the accounting profession has upon forensic accounting practices, focusing on the role and strategies of professional bodies in legitimating a professional brand and identity in the forensic industry. Section 6.4 shifts the discussion from competition and regulation within the practice to the external competitive context faced by the accounting profession. It is interesting to ask what the internal and external competition in the forensic accounting market can tell us about professions' and professional developments. Finally, section 6.5 concludes the chapter.

6.2. Intra professional competition within the forensic accounting market: the political arrangement

The preceding chapter provides strong evidence of how the accounting profession succeeded in legitimating the forensic practice within its area of expertise and how external jurisdictional disturbances; in particular, technological factors and political pronouncements have created enormous opportunities for the accounting profession in a variety of forensic arenas. In this regard, Abbott's (1998) theoretical elaboration of how external forces open up or close down jurisdictions for a professional group as a whole was found beneficial. However, Abbott's implicit focus on the interdependent system of professions where he emphasizes how the movement of one profession inevitably affects the jurisdictional settlement of the others, led him to neglect the significant influence of internal differentiation on the legitimation of new jurisdictions.

In all his writings on this theme, Abbott (1988) argues that professions are comprised of organised groups of individuals who do different things in different workplaces for different clients, where he briefly defines four areas of internal differentiation, which '*have profound effects on intraprofessional relations*' (p.128): Professional regression⁵⁰, client differentiation⁵¹, workplace differentiation and differentiation in

50 This is a process whereby professionals withdraw into themselves, working in more purely professional environments, as a consequence of gaining greater status (Abbott 1988: 118). They inevitably become segregated from the tasks for which they claim jurisdiction, and from clients, the public, and other subordinate professionals.

51 Client differentiation occurs when superordinate-subordinate sectors of a profession serve different client groups which leads to intraprofessional competition according to specialty.

career pattern. However, his consideration of internal differentiation has several drawbacks. First, Abbott (1988) was more concerned with how the internal differentiation of a profession affects its interprofessional relation with other professions, while intraprofessional relations were completely overlooked in his theorization. The relation between segments of a dominant profession powerfully affects its boundaries in a given jurisdiction (Halpern, 1992). This is particularly true in a profession like accountancy which has been implicated in the creation of very different patterns of organisational segmentation (Hopwood, 1987) and has been conceived as a loosely coupled network of sub-communities, permeated by a relatively significant level of intraprofessional tension (Forgarty et al., 2005). In the context of this study, and, from the evidence provided in chapter 5, the professionalism project of forensic accountants is continually being reproduced and managed. Hence, the tension between the Big Four and the forensic boutiques is an important topic to be investigated.

Second, Abbott (1988) overlooked how external forces (e.g. Sarbanes Oxley) can impact the internal structure of professions (e.g. create or destroy work for organisations within the same professional group). As Llewellyn (1997:36) puts it, when studying how a politicized initiative by the state constituted a disturbance to the balance of power between the GPs and Consultants in England: *'In intra-professional disputes, "externality" is particularly important, as an external mechanism can be converted into an internal challenge which could damage the credibility of the profession as a whole.'*

It has been argued in Chapter 5 that SOX has transformed the Big Four model within the American context. The Big Four professional service firms witnessed fierce competition from forensic boutique firms after SOX restricted all CPA firms from the provision of certain forensic investigative and litigation support services to their auditing clients. This has provided an opportunity for the American forensic boutique firms to grow outside of the States and enter the UK forensic market. However, given the loose internal structure of the accounting profession in the UK (Hopwood, 1988), did the Big Four model in the UK face the same challenges and tension?

This section focuses on discussing the tension found between the Big Four and the forensic boutique firms in the practice of forensic accounting. In particular, this section focuses on discussing the analysis of the following RQ: What does the intra-professional relationship reveal about the structure of forensic accounting market in the UK?

The best approach to presenting the analysis is to consider the factors that each group utilises to outweigh the other. Two factors are considered significant for the professionalisation project of forensic accounting, which are: independence in the investigative market and individual reputation in the expert witness market. It is within these areas that the competition between the two groups can be visualized. But first, it is important to present the interviewees' perception of who they consider the main forensic accounting providers in the UK.

6.2.1 The main forensic accounting providers in the UK: it's the big four's world

There is a high level of awareness among the interviewees of the level of competition in the forensic accounting market on both the corporate and individual level. Similar to what Lawrence (1999) reported in the Canadian market, the forensic accounting community in the UK is rather small and members of it are well known to each other. As some interviewees noted: *'it's a pretty small community. There are about, I would say, half a dozen specialist/niche consulting firms like ourselves & Navigant, the Big Four, and mid-sized accountancy firms like Grant Thornton, who increasingly provide this sort of service. So anybody that has been serious is usually well known'* (Interviewee DH, Forensic boutique Senior Manager). *'The market has quite a few competitors. Our biggest competitors are always the rest of the Big Four. And then you've got some in the tier of accountants beneath and some are in specialist boutiques, particularly, the US boutiques.'* (Interviewee GL, Big Four forensic partner)

On the corporate level, the hierarchical characterization presented in the literature (see section 2.1.3) of the three tiers was found to be significant in the UK market. There was a pronounced consensus among the interviewees of the significance of competition between the first two tiers as detailed below. However, discussions about

the third tier firms were almost non-existent. Apart from an isolated comment by one of the forensic boutique interviewees where he mentioned they rarely come across one or two small firms *'who try to do forensic accounting... I wouldn't say they provide the same quality of service, because they haven't got the same quality of people, is my view.'* (Interviewee DH, forensic boutique senior partner)

The first tier is widely dominated by the large accounting firms, who provide an array of different forensic services to the large corporations, who require large teams with international reach to look after their huge forensic engagements. The large accounting firms are heavily engaged in almost all four categories of forensic accounting services reported in Chapter 5 (section 5.3).

'Well, there is the other Big Four, who have similar practices. They are not identical, but they are similar practices to us... we all pretty much do investigations, forensic consulting and disputes for very large corporations.' (Interviewee JO, Big Four forensic partner)

The influential role that the large accounting firms demonstrate in the UK forensic accounting market was further confirmed when the litigation lawyer interviewee stated that during his early time in the 1990s when he worked for one of the largest law firms in the UK (and worldwide), he used to instruct the Big Four. The interviewee mentioned that his clients' problems were of a large scale that could not be handled by any other firm but the Big Four. Due to the international nature and the complexity of the disputes, the lawyer's clients needed enormous resources, vast industry experience, networking abilities and well-recognised expertise, which from his perspective could only be found within the Big Four:

'...Scalability is probably more of an issue now, because more of our projects are global in reach, and so there are some projects, frankly, where I think only the Big Four can do them, because if you're doing a cross-border investigation, we're doing quite a few at the moment, you know, it's really only the Big Four that can do those things, because they're the only ones that have got the scale to operate across borders, and to do more than one at a time...In general, the nature of the cases that I dealt with were of such a scale that I knew that actually more often than not, it would have to be one of the Big Four, because I wouldn't be able to find the scale I needed

elsewhere, and the global presence.' (Interviewee SB, currently a Big Four forensic technology partner and previously an instructing lawyer)

The domination of large accounting firms over the big forensic cases is also evident when a co-founder of one of the American boutiques in the UK discussed a forensic case that consumed the whole firm resources: *'There are 55 people in total. Each person dealt with a little piece of that case. Even the people at the reception were collating reports and pdf-ing files and, you know, dealing with document management, so it took up a lot of our resources'*. The senior partner expressed the difficulty of getting hired in such big forensic investigations, very often a result of their limited international accessibility and limited human resources:

'It was a very big case, and went on for 18 months, a lot of work. Now, during that period, that would have occupied most people's time. If that case goes, you're not going to get another one identical to that in a hurry: they come along every five to ten years.' (Interviewee TL, forensic boutique senior partner)

Large accounting firms forensic accounting units provide their clients the strong brand, global presence and flexibility that forensic boutique firms cannot afford to provide:

'Global problems require global solutions and this is where the Big Four fit the bill perfectly. Any consulting firm can have a global view of a problem but the Big Four can put people on the ground in every major financial centre at a moment's notice, all contracting under one framework agreement, all working under one brand....the Big Four have had very strong brands....they are now leveraging the brands they have built up through their accountancy practices to offer other service...additionally, Clients need to be able to add, remove or change consultants quickly and with the minimum of fuss. Smaller consulting firms often struggle to do this because a single project will account for a far greater proportion of their workforce, meaning a far greater degree of resource planning. For big firms it is much simpler and – perhaps equally importantly from the client's perspective – much more impersonal.' (Haigh, 2011)

Additionally, hiring large accounting firms guarantees large corporations a multi-facet

perspective that forensic boutique firms cannot offer, being that they solely specialise in forensic services:

'I think services are better provided by firms like ourselves [reference to Big Four firms]... then you obviously are more exposed to all-round accountancy, and you're a better expert, and you can get colleagues to help you if certain areas are beyond your expertise, whereas if you're a niche forensic firm, then you don't have that backup available to you.' (interviewee AG, Big Four forensic senior partner)

The large accounting firms' domination is not limited to large corporations. They increasingly work with law enforcement units to curb money-laundering crimes, premised upon the universally recognizable claim that economic crime is both rampant and exceeds the investigative capacities and capabilities of the public forces. This cooperative relationship has been aggressively featured in the accounting profession media and industry publications as evidenced below. This aggressive marketing strategy not only ensures limited competition from the public sector, it also increases firms' visibility and signals their proficiency at handling high profile cases to the public audience (Williams, 2002).

'The Big Five accountancy firms⁵² have joined forces with the Metropolitan Police in an effort to curb fraud. The new initiative has been backed by Great Britain Home Secretary Jack Straw. Forensic accountants and private investigators will work hand in hand with the police, rather than conduct parallel investigations. Sir John Stevens, Commissioner of the Metropolitan Police and Mr. Straw have acknowledged that fraud is too complex and expensive for the police to tackle alone. A one-year pilot scheme began on April 01, 2000 in London, England. Initially, only the Big Five will be involved, but it is hoped that the scheme will be expanded to include individual investigators. Panel member and Deloitte & Touche LLP partner Mark Tantum has said that the scheme would need careful handling if it was not to fall foul of European human rights legislation. The initiative follows a recent call by head of the Serious Fraud Office Rosalind Wright for businesses to help with prosecutions by cooperating with the authorities and reporting more cases of fraud.' (Accountancy, 2000)

⁵²This article was written in 2000 before Arthur Anderson's collapse.

'The Serious and Organised Crime Agency (SOCA) knew that only around 39 percent of criminals could be effectively targeted using traditional investigations and they did not have the resources to simply expand the number of officers and equipment. It was obvious that SOCA needed a radical new approach if it hoped to monitor and/or take action against every serious organized criminal operating in the UK. Working with KPMG, SOCA set about developing a 'high volume operating model'. The joint SOCA/KPMG team developed and implemented an operating model that would allow the organization [reference to SOCA] to better leverage their existing data. Since the implementation of the operating model [invented by KPMG], more than 50 high volume projects have been initiated and the resulting interventions are making a significant contribution to the fight against organized crime.' (KPMG, 2012)

Conversely, the recent mega- acquisitions of small forensic boutique firms by second tier firms in the UK have intensified competition for the first tier firms. The second tier firms are comprised of major listed US consulting firms (such as FTI, Navigant, CRA) operating in the UK forensic market. For example, the acquisition of Forensic Accounting LLP (in 2008) and LECG (in 2012) by FTI moved the specialist boutique firm to the top of the forensic accounting league in the UK (Mackenzie Survey, 2012). Navigant acquired Precept Programme Management, a private UK provider of dispute advisory and programme management consulting services in 2006 (Baron, 2006) and Troika, a UK financial services consultancy in 2007 (MoneyMarketing, 2007). Navigant has been growing significantly in the UK forensic accounting market, *'the success of our practice showed how small niche consultants could nip at the heels of the Big Four'*, says Brian Norton, their European head of corporate development (AccountancyAge, 2008).

Additionally, forensic boutique firms have been very keen to acquire the skills and knowledge of key people in the forensic accounting market. Their significant growth made them an attractive workplace to experts, especially those who preferred working for firms with no audit base. For example, it was reported in the Mackenzie Survey (2012) that *'CRA have recruited Geoffrey Senogles as a vice-president to focus on international arbitration. Prior to joining CRA, Senogles spent three years as the only forensic accountant on staff at the United Nations Compensation Commission in Geneva, dealing with claims from the 1990/91 Gulf War. Most*

recently, he was director of the Swiss office of LBC Investigative Accounting... Gordon Hodgen, a dispute and insurance expert previously of RSM Tenon and RGL, has joined HSNO, a specialist US forensic boutique, as partner responsible for leading their UK business.'

The interviewees have also noted this notion:

'FTI are obviously a big player and they've got some names. People that are ex to [Big Four] go into FTI consulting... they have been significant in that space as well [audit negligence work] and sort of evaluation work ... they've got a really strong evaluations team there to my certain knowledge.' (Interviewee GG, Big Four partner)

'It is critical to be in the elite group in this market. Having big names gets you to the table. That's one of the main reasons for watching each other all the time and acquiring the best of talents.' (Interviewee JG, forensic boutique senior partner)

'There is a war of talent between the various players in the market. Three of our most talented partners have now moved to one of the forensic boutique firms.' (Interviewee JS, Big Four forensic partner)

This evidence might suggest the intense competition that the first tier firms are experiencing at the moment. However, Big Four interviewees considered competition from forensic boutiques as taking two main forms. First, *competition according to specialism*: where the forensic boutique firms compete on the basis of excelling in certain specialist forensic areas. As some interviewees described:

'There are boutiques that do the work that we do, of which we come across about five or six probably who are more specialist, so they'll specialise in certain areas. So, the likes of Kroll, Risk Advisory Group and, Control Risks, and then the specialist boutiques that do technology, and disputes, like FTI, Navigant, CRA, and some of the boutique technical firms. They're all competition for us. We'll usually see one of the Big Four plus maybe one of the boutiques in most of the big work that goes out to competitive tender. It's pretty competitive.' (Interviewee AG, Big Four forensic partner)

‘Our biggest competitors are always the other Big Four firms. And then you’ve got the more boutique type practices like FTI. I mean those are the ones we tend to see the most of... The niche providers changed over the course of years, as some of them have been swallowed up by others. But there’s always been niches around, like Forensic Risk Alliance and Risk Advisory Group and people like that, so those people have all been around, providing particular services to lawyers, some are forensic accounting in nature and some are technology in nature.’ (Interviewee GG, Big Four forensic partner)

‘Each one of us focuses in a slightly different area, so some are in the insurance area, which is where we are; others are not. Some of them [other forensic boutique firms] we come across quite often, others we come across very seldom, on opposite sides.’ (Interviewee TL, forensic boutique senior partner)

Similarly, the instructing lawyer noted that forensic boutique firms get appointed when his clients’ problems need certain forensic specialists, referring to a very big case where his client needed expert opinion on something called olefins, *‘a by-product of petroleum refining’*. The interviewee added:

‘Occasionally we’d have cases where it didn’t need to be the Big Four, and we would look elsewhere for very specific parts of the service. Here where we pursue the boutique firms more for specialist services.’ (Interviewee SB, currently a Big Four forensic technology partner and previously an instructing lawyer)

Second, *competition based on the issue of conflict of interest and price*. Financial and political pressures on the financial market created a good market for second tier firms. The recent political interference in the financial market has pressured audit committees and their solicitors to carefully select their forensic accountants. To some solicitors and clients, second tier forensic firms are more desirable because they have much lesser conflicts than large accounting firms (more details are to be found in the following section). Additionally, the financial downturn made the second tier firms’ more reasonable rates very attractive to troubled companies who seriously needed to preserve their resources. The issue of conflict of interest and price as being the biggest

disadvantages of large accounting firms are featured prominently in the comments of some interviewees:

*'We have some clients that do not want to use the Big Four, and they tell that to us all the time, because the Big Four suffer from two disadvantages. They've got a lot of advantages: brand recognition, depth of experience. But they have two disadvantages. They have a lot of **conflicts**. Because they are doing auditing and they are spread all over the world. So they have to turn away a lot of work. [Second disadvantage] they are very **expensive**. Our rates are very competitive. So there is a natural differentiation between the Big Four and ourselves. We do use that in pitching to a client. The other thing is that the partners here are very involved in the work. Another criticism we come across with big accounting firms is that the partner's just brought in at the last minute to get up in court and give evidence, and he or she does not know the job; they do not know the detail. Someone else has done everything else, that doesn't always satisfy the clients.'* (Interviewee TL, forensic boutique senior partner)

'I think it's very competitive. I think it's becoming more so, because there's pressure on hourly rates. Lawyers are now much more likely to send out a potential piece of work to several firms like us to have several proposals. We offer very competitive prices compared to large accounting firms and their large international teams. That creates competition, it is pure competition, and it is good for the market: it keeps everybody sane, it keeps everybody realistic. I think experts move around from firm to firm. Some firms have a very aggressive reputation, and therefore experts tend to spend some time in them and then come out [in reference to Big Four firms].' (Interviewee GS, Forensic boutique senior partner)

'We are conflicted and we have to turn a lot of work down, because we are not independent and we are conflicted. So that's when the boutiques win, because they get conflicted a lot less often. So the challenge is the work we turn down, and that's probably 50% of the enquiries we get, we have to turn down because we're not independent and we have a conflict of interest in some way, whereas the boutiques probably turn down 5% rather than 50% of what they're offered.' (Interviewee JS, Big Four forensic partner)

Additionally, almost every forensic boutique firm investigated in this study publishes on its website the advantage of having a specialist firm looking after an investigation: *'As a specialist firm, we do not provide audit, taxation or assurance services, which means we are free from conflict of interest issues that may arise at the 'Big Four' accounting firms.'* (FTI Consulting Asia Pacific, 2013)

However, the conflict-of-interest conceptualisation seems to be less troubling to some Big Four partner interviewees, where the competition from the boutique firms is argued to be minimal.

'Every time we're conflicted, one of the other Big Four will do the work. Same for us, if they're conflicted, we'll do the work. So, it's very rare that the four of the Big Four are conflicted on a big case, so one of us will pick the work up. So that's how we can be competitive. Sometimes, there is no competition, because, frankly, they need a Big Four firm to do it, because of the international scope and the size of the problem. Very often two firms are conflicted, sometimes three, almost never four. There was one case recently where all four of us were conflicted, this is when the boutiques get picked. So, that's how we can be competitive, because, you know, every piece of work we turn down, one of the other Big Four will pick it up.' (Interviewee GG, Big Four forensic partner)

'Inspired US boutiques are the likes of FTI, Alixpartners, and Navigant who we have never heard of pretty much 10 or 15 years ago and they all came in I think at the time when the Enron scandals sort of collapsed Arthur Anderson and we saw thereafter loads of restrictions where put on big accounting firms and what they can do. Some of those restrictions, particularly the US, restricted the big4 firms from doing forensic work, that has created a vacuum or space in the market which was filled by the many boutiques, many of them existed in America, but they sorted their duty here, they flooded the market here. In the US, I think it is probably fair to say that the boutique firms have a much bigger market share than they do here.'

...In this country, I think the boutiques have thought that the big firms will be conflicted and therefore be driven out of the market, that is not been the case. The bigger firms are now stronger than they were 10 years ago but the market has grown

as well and the fact that you got some conflict problems in the big 4 firms and accounting firms plus a great market, it means that there is plenty of room for all manner of people, you got individuals, sole practitioners, you got some highly specialist boutiques, you got big firms, medium sized firms.' (Interviewee AG, Big Four forensic accounting partner).

One forensic boutique partner has also elaborated on how the conflict of interest issue did not impact the practices of Big Four firms in the UK in the same way as their US counterparts.

'The Big Four obviously are the Big Four and they've got the brand, and they've got an audit base, they have audit clients so automatically they have a pool there of potential clients that when they've got a problem or if the auditors see a problem they'll go straight to the forensic team within the same audit firm. They tend to not go outside. Now in the U.S. they can't do that because of Sarbanes Oxley. You can't use your auditors to provide some consultancy work. That's why we thrived in the U.S. because we don't do audits and if you've got say an audit client of Ernst and Young has got problems, Ernst and Young will say well actually we recommend [our firm] rather than saying we recommend PWC or KPMG because they need to be very careful with the recommendation they make because there always a risk that the audit client will move over as well. So certainly as far as the Big Four are concerned and is my perception that their forensic teams are very busy because the client base from the audit side of things... whenever there's an issue they'll get on the phone, the audit partner will get on the phone to a partner in the forensic team to say my client's got a problem can you help me. Can you help my client?'

'...We have found ourselves pitching against Big Four...I can't give you specific details, but yeah there was an instance where we got an opportunity to look at the systems and controls of a particular client at his place and we lost out to the auditors. The auditors initially said, "Well, we've been auditing you for the last 6 years so we know all about your systems and controls," and so we didn't get a leg to stand on.' (Interviewee JH, Forensic boutique partner)

The findings are consistent with the observations of Cooper and Robson (2006) that large accounting firms built their superior legitimacy over the forensic accounting market based on their international reach and strong relationships with multinational firms and regulators. Additionally, their statutory monopoly over the corporate audit market gave them a competitive advantage over the second tier firms, firstly because of the ready access to client management granted by the annual audit process and secondly their structural flexibility which guarantees clients a high level of standardised, diversified and quality service across all countries (Citron, 2003).

Similarly, McMeeking (2007) argues that FTSE250 clients have been increasingly choosing one of the Big Firms because they are perceived to offer a better audit, consultancy services and greater insurance against catastrophes than their small and medium-sized counterparts. Clients often prefer a one-stop shop for all their professional service requirements since it's a more cost effective strategy (Williams, 2005), tempted by the offer of reduced audit rates as an inducement to gain consultancy assignments (Citron, 2003). This might explain why the Big Four interviewees were less troubled by their astronomical consultancy rates, for them, large multinational corporations facing some form of crisis are willing to pay expensive prices per hour to be provided quality services that guarantee them the recovery of their stolen billions without being publicly embarrassed (Williams, 2002).

Moreover, the UK self-regulatory approach with regards to audit independence seems to have brought a split in opinion on whether it has affected the accounting firms' forensic accounting activities. Some interviewees were of the opinion that conflict of interest perception has created work for forensic boutique firms and abolished some work for the Big Four, other interviewees argue that Big Four forensic activities are very large and that their position in the market cannot be replaced. This rift in opinions creates a dilemma on what conclusions the researcher can suggest but it certainly shows (1) fierce competition does exist between the Big Four forensic accounting units and the forensic boutique firms. Even though a number of Big Four interviewees were keen to downplay the seriousness of the impact of such competition on their practices and their profit generation model, a series of disturbances appear to have altered the relative stature of services these different components enjoy, argue Covalleski et al., (2003); (2) The professionalisation process

is largely influenced by the alignments/conflicts between the different organisations (Cooper and Robson, 2006), which was largely neglected by Abbott's (1988) theorisation and, (3) The unclearness of the UK self-regulatory approach with regards to forensic accounting contributed to the conflict of interest dilemma, which suggest that the professional bodies positioning in the forensic accounting market are weak and have limited authority as to what happens in the market (more details are to be found in section 6.3.1). However, before drawing any conclusions, the conflict of interest issue is to be thoroughly examined in the following section.

The insights gained from the findings show how intra-professional competition and conflict provide the moving force for the field of forensic accounting, and are essential to the particular forms of contestability through which its structure is defined and elaborated as observed by Williams (2002). But what does it tell us about the professionalisation process of forensic accounting?

The intra-professional conflict witnessed within the forensic accounting practice clearly highlights the existence of competition within the accounting profession. Members of large accounting firms (dominant) preserve their position of advantage and privilege. The attempt on the part of the dominated (in this study, forensic boutique firms) to improve their relative standing through transformations of the field in accordance with their skills, expertise, specialties and abilities is evident from their attempts to acquire small boutique firms and employ the best of talents and high profile forensic experts (Velayutham & Rahman, 2000, Williams, 2002, Bourdieu, 1977).

The impact of large accounting firms' dominance on the professionalisation of forensic accounting in the UK provides evidence that the accounting profession currently witnesses the 'organisational/corporate professionalism' era (Kipping et al., 2006, Evetts, 2011 and Faulconbridge and Muzio, 2008), which is different from the 'occupational professionalism' presented by the sociology of profession literature (Abbott, 1988; Larson, 1977). The development of corporate driven professionalism has been supported by a growing opinion in the academic literature (e.g. Reed, 2007) as well as among policy makers (e.g. Zeff, 2003; Wyatt, 2003). Corporate professionalism is no longer about being part of an exclusive occupational group, but

emphasizes more: (1) individual reputation; and (2) the pronouncements of an elite group i.e. the leading firms (Gross and Kieser, 2006, Alvensson and Roberston, 2006).

Therefore, is the accountancy profession is to gain legitimation of its forensic accounting practice, it must do so according to the way in which the largest firms define ‘professionalism’ and professionalisation tactics (Muzio, Hodgson, Faulconbridge, Beaverstock and Hall, 2011). As seen in this chapter and the previous chapter, the large accounting firms influence the skills, expertise and practices of forensic accounting. The following sections provide evidence of their influence on regulating the practice.

6.2.2 The conflict of interest question: perception not regulation

‘Society’s confidence in a professional group is the heartbeat of its success...if such confidence is betrayed, the professional function, too, is destroyed, since it becomes useless’ (Porter et al., 2005:119)

The previous section examined the intra-professional competition between accounting firms' forensic accounting units and forensic boutique firms. Within this discussion, it appears that although the conflict of interest dilemma for accounting firms has increased the competitiveness of forensic boutique firms, the forensic practices of accounting firms seem to be only slightly affected. This section builds on this observation by looking more thoroughly into: (1) the role of regulation (as an external disturbance factor) in maintaining the independence of accounting firms in the dual role of external audit and forensic accountancy, (2) the perception of forensic practitioners of whether audit independence is compromised when the audit firm serves in this dual capacity, (3) the perception of forensic practitioners on which forensic services negatively impact the notion of independence and hence need to be restricted, and (4) what strategies accounting firms utilise to maintain their independence in such dual role.

This section will summarise the results related to RQ: If auditors appointed by a company provide forensic services (separate from audit services) to management or the audit committee, can these services impair the audit firm’s independence? If so, under what circumstances?

For the accounting profession to claim legitimacy for its forensic accounting practice, industry practitioners must project a public image of ‘true independence’ to their audiences (i.e. solicitors, clients, audit committees, judges and juries) because this ultimately establishes the credibility of their expert findings.

However, the uniqueness and diversity of forensic accounting practice makes the independence ideology very problematic. Some of the forensic expert roles (for example, fraud investigations) can be provided as part of the audit engagement. That is maybe explainable since detection of fraud was initially the responsibility of the accounting profession 100 years ago until the profession successfully shifted such responsibility to the corporations’ managerial teams (Sikka, Puxty, Willmott & Cooper, 1998). In any case, here the audit firm’s forensic accounting team are called in to further investigate and probe into a fraud inquiry initiated by either the audit team or the client. It can be argued that in such circumstances there is no evidence of conflict of interest. But what if the forensic team investigation discovered a material fraud accumulated over a number of years and not brought up by the audit team? Will the accounting firm be held responsible in an allegation of negligence? That's how complicated the notion of independence is in the forensic accounting practice. Therefore, in the UK, professional bodies entrusted their members to judge, case-by-case, whether there are any threats to their independence. If threats are found, experts should consider refraining from acting if safeguards cannot be put in place to address such threats. But has this approach proved effective?

For companies registered with the SEC, which are generally public companies listed on the US stock exchange but trading in the UK (London Stock Exchange, 2012), large accounting firms in the UK are presumably required to refrain from providing them *any* forensic accounting services since their practices are governed by SOX legislation. For non-SEC clients, there are no restrictions on accounting firms in the UK providing forensic services to their audit clients, except for prohibitions on acting in an advocacy role (i.e. expert witness role). The interview results indicate that for non-SEC clients there are a lot of judgement calls that are made after discussions with the clients and their solicitor. It seems as though, when it comes to the regulation of forensic accounting practices in the UK, what mostly governs and indicates which

forensic accounting services an audit firm can provide is not the state, nor the professional bodies but the perception of the instructing solicitor:

'I think the main problem isn't so much Sarbanes-Oxley, in the UK, it's the perception of the instructing solicitor or barrister. If the instructing solicitor feels there is a conflict of interest, whether there is or not, there is. So, it's not a question of whether they will be independent or not, it's all a matter of perception of their independence. So, I think that in the UK, for non-SEC clients, they're driven by perception mostly, not rules. And I think it's a justified perception, that if you're dependent upon a whacking great audit fee, then the question might arise, are you biased towards your client? Almost certainly not, if I may say so, and the courts probably would expect the expert, even if they were from a big audit firm, to be independent. I'm sure they would be. But sometimes there can be a perception, and that might be enough to make it difficult for the audit firm to get the job in the first place.' (Interviewee DH, forensic boutique senior partner)

'If you've got SEC registered clients, then there's SEC restrictions on what you can do in terms of independence, and that's a question of interpretation as to what is prohibited from time to time by the SEC. So that would prevent you from doing something.

'...Even if the SEC rules don't prohibit you from doing something and you've got a non-SEC registered audit client, then it's a question of, is there a perception that your independence might be impaired? Well, actually, that's a question on a case by case basis. So, these are not cut and dried, you have to look at them on a case by case basis, and you just have to also consider the nature of the service that you're being asked to provide.' (Interviewee SB, currently a Big Four forensic technology partner and previously an instructing lawyer)

'I think conflict is not regulated down to, you know, what regulators allow you to do: I think conflicts are also state of mind, and it's not only whether it's a real conflict, it's also whether it's perceived to be a conflict; whether it's a potential conflict. And I think that there is a potential conflict when you provide audit and consultancy service to the same client even if they have appropriate Chinese walls in place, and if I was in

that position, I wouldn't take it. I would never jeopardise my reputation.' (Interviewee TL, forensic boutique senior partner)

It is obvious from the discussion with interviewees that there is no clear cut regulation in the UK as compared to those found in the US. Having a flexible regime was less troubling for Big Four interviewees because their desire to maintain their existing reputations may be the only factor protecting auditor independence in the face of a growing demand for forensic accounting services. The interviewees from the big four accounting firm emphasised that large accounting firms place great importance upon maintaining their reputation and that they make continuous efforts to avoid litigation or censorship through maintaining the independence and objectivity of the audit by having the firm's forensic accounting team quite distinct from the firm's audit team:

'Independence became a massive issue specifically since Enron and SOX which lead our firm and most large accounting firms to [be] really watertight in all engagements. We end up turning away almost half of the work because of conflict issues. But, again, that conflict is only in the minds of the individuals: to my mind, it's not a real conflict, because the different parts of the firm don't – what we do in our forensic practice is not connected with what we do in the audit practice.' (Interviewee JO, Big Four forensic partner)

'We will not compromise our ethics or our independence, because it's just not worth it. Our reputation is, we are a firm that provides independent, reputable advice. If we compromise that, and some firms have had criticism from judges and from various other people for not being sufficiently independent, and that causes them a huge problem in the market. So, if we put ourselves forward, we've considered the independence issue, and we've decided that we can do it. If clients say, Are you sure? Then we'll reconsider it, but we'll say, "Actually, yes, of course we're sure, because this and this.' (Interviewee GG, Big Four forensic partner)

Some Big Four interviewees went further to differentiate between the type of services they would provide to their audit clients, clarifying that they act on behalf of their audit clients only if (1) the investigation is not related to the audit (i.e. would not hinder the unqualified audit opinion granted by the audit partner), (2) the investigation is not material (i.e. would not put their audit arm under a

negligence allegation), and, (3) the investigation does not require them to act in an advocate role or provide valuation services to audit clients. But in any case, they were keen to demonstrate that they were capable of acting independently in any case where they are asked to act as forensic experts.

'...where there is a question mark over, "Well should this have been picked up by the audit?" At that point often we would feel that we couldn't act. But often that's not the case, often it's unrelated to the audit, it's unrelated to financial statements being wrong: it's just about fact gathering.

.... I think our view, and certainly the UK courts' view is, it's the independence of mind of the individual, and that just because you're the auditor doesn't mean that you're going to want to put your client's case in a more favourable light than would otherwise be the case. You're going to be independent of mind, as an individual and as a company, even if you're the auditors. So, I think, you know, there are certain cases, certain instances where it would be inappropriate to be able to act, but there are a lot of places where you can.' (Interviewee AG, Big Four forensic senior partner)

' generally speaking, it [conflict of interest] is more likely in the experts space because you've got multi parties so you've doubled the chances of being unable to act and you've also got 2 parties both wanting representation. If you have company A, company B in the dispute unless you have got the same set of auditors by coincidence that's 2 [big 4] firms out of the theme you've got 2 companies both wanting experts so if you've been asked by that side you can't do it for this side and vice versa. But there's all sort of other relationships that can stop you from acting for or against either party. So once you've got a dispute situation you're automatically massively complicating the conflicts position.' (Interviewee GG, Big Four forensic partner)

'I think it depends hugely on what the question is that we're being asked to answer. We won't do expert witness work for audit clients, because we're conflicted, generally. We don't do valuation work at all for audit clients, because for litigation we just don't do work for audit clients in litigation. We will do investigation work for audit clients, depending on the nature of the investigation. We might do e-discovery services, where we're just providing an outsourced service for clients, but then there's no opinions

involved: that's really just, can you capture the data and can you present it to the lawyers? We do do some data analytics work with audit clients, which is trying to spot fraud using data analytics. So if they've got an issue in, you know, Nigeria, they want to know whether or not they've got a fraud problem there, we'll do work with them to identify whether there's a fraud problem within their business by looking at some of the data that comes up etc. Again, that's as a refractory statement rather than an opinion in relation to anything.

...It is also down to materiality. So, if it's a small problem, then there isn't a conflict of interest between doing the audit and doing the investigation, because, frankly, to do an audit you need to understand what the investigation's turning up. And, you know, the reality is, as auditors, you are independent, and therefore actually, you should be able to do any investigation work for your audit client, because you're still independent. And so, an investigation should be an independent investigation for the client in the same way as an audit should be. In practice, audit committee might prefer not to use the auditors if it's a big investigation...but the thing is, most problems at clients aren't that big. The point about an audit is, it's only going to look at material errors in financial statements, and most problems clients have aren't material. The reality is, auditors rarely pick up small frauds because there's the process that you do an audit that isn't designed to identify them: most clients understand that. So, in the big cases, we prefer not to do the work, because there is a risk there that the materiality has been breached, and therefore they should have spotted it as part of the audit, and there might be a claim against the auditors. In a lot of the small cases, that question doesn't arise.' (Interviewee JS, Big Four forensic partner)

By keeping the audit and forensic team separate and identifying/treating areas of threat to their objectivity, large accounting firms interviewees claim that they have spent years developing strategies to maintain their objectivity:

'There is no way we are going to threaten or jeopardise the integrity of the audit, but if we take on the job, whether it is an audit or non audit client, we will always go through a lot of risk management steps to see is this a client we can work for, is this something we can perform, are there any regulatory rules that prevents us from

acting for a particular client, are there any client issues that might cause us any embarrassments.’ (Interviewee GL, Big Four forensic partner)

‘We, like every other firm in this area, have sophisticated conflict checking routines, where we have several partners involved so we’ve got one person whose interest is delivering the job to the client, not everyone can do this, we’re quite specific as to who can act as experts in work as being people we can trust their objectivity. But as well as having that person we would also have a second partner to look at it and say pretty much are you being objective can you tell us what’s the basis of saying this, what’s the basis for saying that, are you straying too far and challenge all of the things that are in the report. I mean you can’t challenge what someone’s says on the witness stand but you could make sure that everything up to that point is independent. We have plenty of review procedures. So it starts from a position of choosing the right team but making sure those review procedures are effective and I haven’t seen any judgements where it says a partner from our firm has lost objectivity or strayed into areas where there are not competent to give evidence or things like that. It seems to work.’ (Interviewee GG, Big Four forensic partner)

Unsurprisingly, some of the forensic boutique interviewees were of the opposing view, believing that registered audit firms should not, under any circumstances, provide any forensic accounting services to their audit clients. Some stated:

‘After Sarbanes-Oxley Act was applied, if they [auditors] turned up in court as experts and their firms are already providing auditing services to the client, the judge would not see it as independent...they should not do any investigations either into their audit clients.’ (Interviewee TP, forensic boutique senior partner)

‘I don’t think they should be allowed to provide forensic accounting services: I really think there should be proper independence. I just can’t believe that if you’re doing a forensic accounting review that you can block your mind off to the fact that you’ve got a million pounds audit fees annually sitting out there, and that if you disagree with your clients, that could be at risk. It’s a natural thing to worry about, I think.’ (Interviewee TL, forensic boutique senior partner)

‘Well that’s the debate that’s supposed to be taking place, isn’t it, with the competition commission and such like. My own personal opinion is, well, if there’s a particular problem with your accounting position, your books and records or whatever, should

you really be allowing the auditors or the same firm of audit to be reviewing it, because presumably they missed it in the first place. So I have my reservations about how that all works to be honest. (Interviewee GS, forensic boutique senior partner)

'My personal view would be they should be looking elsewhere. And it helps to have an extra set of eyes, it helps to have someone independent come along and say actually why are you doing this, why do you do that....tell me again why you go through this process, and that's the question. It's only through probing that you actually start to uncover things. There's a risk if you're the audit firm and you're carrying out the assessments and you realise actually there's a big problem here... "We should have picked it up and we should have picked it up the year before last, and the year before that. This could be really embarrassing for us..." so that puts them in a difficult position. How do they deal with that? Do they put their hands up and say "Actually, yeah, we messed up," and so more or less inviting them for the company to sue them for negligence. So yeah, I think they should get independent people in. It probably will cost more but in the long run they probably should benefit.' (Interviewee JH, forensic boutique senior partner)

This opposing view has been strongly defended in the academic literature (e.g. Macey and Sale, 2003, Gendron, Suddaby and Lam, 2006, Wyatt and Gaa, 2005, Chapple, Crofts, Ferguson & Hronsky, 2011, Bazerman et al. 1997, Piaget and Baumann, 2003; Squires et al., 2003; Toffler, 2003; Zeff, 2003a, b and Wyatt, 2004) for a long time. Bazerman et al. (1997), for example, pointed to the 'unconscious judgement biases' linked to audit engagements. An experimental study conducted by Chapple et al., (2011) in Australia found that forensic accountants acting as independent experts for their client- a plaintiff in a commercial damage dispute - opined a higher damage award than the defendant's own independent expert accountants due to an 'unconscious attachment bias'⁵³. Such an attachment bias is also likely to arise in a professional service setting such as auditing firms providing special extended

⁵³ 'Attachment bias' refers to the psychological observation that human judgments are affected by the subconscious biases that arise from the contextual relationships in which the judgments are made (Chapple et al., 2011).

investigations to their audit clients. The study concluded, as did Bazerman et al. (1997, 2002), that *'true auditor independence is not possible'* (p.20).

There has been a number of theoretical arguments as to why accounting firms should be prohibited from providing both audit and non-audit services. For example, Macey and Sale (2003) argue that the provision of consulting services by audit firms has shifted the balance of power from auditors to clients. They argue that, in the real world, where the client is both an audit client and a consulting client, the client cannot "ration" the provision of auditing services because it is a legislative requirement in the UK to have your accounts audited. It is, however, possible for clients to easily terminate the auditor as a consultant, or reduce their use of the firm's consulting services, in retaliation for the auditor's intransigence. This ability to ration and the power that accompanies it disciplines the audit firm so that it would possibly be motivated to replace the intransigent audit partner. As a result, the provision of consulting services by auditors presumably jeopardizes auditor independence.

Another study by Gendron et al., (2006) observed that since the invasion of consultancy work into the culture of accounting firms, professional accountants have been more susceptible to logic of commercial gain than professional independence and objectivity. The study further observed that accountants in the Big Four report lower commitment to auditor independence than do others in public accounting. Wyatt and Gaa (2005) further support this view, where they argue that since the introduction of non-audit services, primarily consulting work, into large public accounting firms, the reward structure shifted away from adherence to professional standards and ethics toward commercial gain.

While such analysis ought to be considered, it seems to be far more simplified than the reality, which is: the large accounting firms as a powerful organisational group have far more influence than just controlling the market and client cases. Their lobbying activities and their joined interests control their professional bodies and regulators' pronouncements. Discussions with interviewees illustrated three important factors that structure the forensic accounting practice in the UK, if not the whole accounting profession. First, although large accounting firms' professionals characterise themselves with features of independence, they use persuasion strategies

to tempt their audit clients to choose them in the procurement process that takes place before a forensic engagement. Statements such as ‘we have been auditing your firm for X amount of years’, ‘we know your system of controls’, ‘it will cost your firm more if you hire external investigators’ seem to work in this regard. As noted by one interviewee:

‘From a client’s perspective you’ve got to think, well, actually the auditors know the clients and we’ve come across this before all the time when the auditors say well hang on we perform your audits, we know your controls and your systems. So if you bring someone in from the outside there’s going to be a steep learning curve for them and it’s going to be an additional cost for you. So the clients may think I much rather just have my auditors, the same audit firm, performing the work. But then there’s the other issue of course that the clients may say well actually this is quite embarrassing I’d much rather we just keep it in house then go elsewhere... Sometimes you’ll wonder whether you’ve been invited to attend because that’s the procurement process. You’ve got to invite 5 firms or 3 firms. So you’ve got your auditors, you’ve got someone else and who else can we add to that. I don’t know. It may be just a procedure. They may have already decided they want their audit firm, but the procurement process is such that it’s got to be transparent and there’s got to be an openness’ (Interviewee JH, forensic boutique senior partner)

Second, there seem to be strong arrangements between the big four to keep the client cases between them: ‘If we didn’t get it, one of the other Big Four will. This is how we can be competitive’, commented one of the Big Four interviewees. If, for any reason, the audit firm did not get the job, the forensic partner in the audit firm will immediately recommend some other partner in one of the other Big Four:

‘They [the client] say to us, “If you can’t do it, is there anyone else that can?” And actually, my comment is always, I know the Heads of Forensic at all the other big accounting firms pretty well, because we come across each other all the time, and if there’s a particular case, I’ll say, “Actually, you know, x or y is probably the best place to do that, because he’s done a similar case recently that I know about because we referred that one to them.” (Interviewee JS, Big Four forensic partner)

'I don't know if they've some sort of reciprocal arrangements between the Big Four but we are aware that there is a good connection between the Big Four in the UK. We're also conscious of the fact that the Big Four firms do it [put each other's name forward] amongst themselves, which, I suppose, such gentlemen's agreements make them control the forensic market.' (Interviewee JH, forensic boutique senior partner)

Finally and most importantly, large accounting firms determine, through negotiations, the regulatory regime (and updates) to be followed in the accounting profession, let it be independence rules, forensic regulation or auditing standards. After all, the big accounting firms fund major political parties, advise government departments, and provide jobs for potential and former ministers (Sikka, 2013).

'It is worth remembering that some of the rules and restrictions on forensic work that came out SOX were results of negotiations between the profession [with reference to large accounting firms] and the regulators in the US. The regulators wanted to ban various services, including some types of tax services, and within negotiations the firms essentially conceded forensic and expert witness work, so regulators are going to tick that box with a yes, we managed to restrict what they do. I don't see, losing an army of forensic work is not as painful as losing an army of tax work so I think the Big Four firms felt pretty comfortable with the results of negotiations. So where the US impose stricter rules on forensic accountants than the rest of the world, we did not feel particularly troubled by that, it maybe would be constrained what we can do for American clients or clients with American listings but the rules can not threaten our overall practice because those are particular problems, it was a result of political negotiations.' (Interviewee GL, Big Four forensic partner)

'This discussion that has been going on with the competition commission with regards to the Big Four's dominance of the whole profession, from my understanding, was either watered down or it's being stalled. There's significant resistance from the Big Four, unsurprisingly... Whether we like it or not, their rules are the whole profession's rules.' (Interviewee DH, Big Four forensic partner)

The opposing views and latent antagonisms between the Big Four and forensic boutiques interviewees' with regards to the maintenance of experts' independence

within the forensic accounting practice provide evidence of the segmented nature of the UK accounting profession and the poor role that professional bodies play in regulating the profession's forensic practices. The absence in the UK of any forensic accounting directives which might include mandatory guidelines for forensic accounting practitioners with respect to their professional independence requirements, has left room for confusion between practitioners concerning whether or not auditors should be allowed to provide forensic accounting services to their audit clients.

This has resulted, more often than not; in judgemental calls made by audit firms to whether or not to consider the forensic engagement. Chapple et al. (2011) argue that audit firms make those judgement calls based on whether there is any uncertainty or threat to their reputational capital, only then they refuses to act.

However, the professional bodies consider the flexible regime - Accounting Practice Board (APB) Ethical Standards, audit committee consultation and disclosure of fees and independence arrangements - followed in the UK to be working well. According to ICAEW, the regime provides the right, proportionate combination of flexibility to allow the provision of non-audit services by the auditor where it is in the public interest to do so, without compromising independence and robustness, and to ensure threats are addressed (ICAEW, 2010).

It is evident from the findings discussed that the large accounting firms have been promoting a public image of 'independence' and 'objectivity' by establishing independent, multi-disciplinary forensic accounting units managed by forensic partners, apparently far distinct from their auditing units, and offering a wide range of forensic accounting services to their clients while still claiming that their firms are 'declining' a number of engagements to maintain their independence. However, the independence mask displayed by large accounting firms has recently been put into question when the 2012 Competition Commission (CC) investigation of the country's top 350 listed-companies found that more than 90% of these companies buy non-audit services from their audit firms (Huber, 2012). The Big Four's persuasive strategies discussed earlier might explicitly explain such a percentage. The CC review concluded that the Big Four were "insufficiently independent from executive management and insufficiently skeptical in carrying out audits" (Moulds & Feeney,

2013). Under such conditions one might argue that large accounting firms have very weak incentives to support independent professions. The latter increase the risks of commercially important knowledge being turned into a transparent, public good as opposed to a confidential ‘organisationally specific’ asset (Morris and Empson, 1998). This in turn might run against the business strategies of firms focused on developing their own unique brands through the continuous commoditization of new management ideas and fashions (Suddaby and Greenwood, 2001). Apart from this strike against the Big Four’s agenda, one must acknowledge that the cooperation between external auditors and forensic accountants could be beneficial in certain cases, where the dual roles provide for increased implementation of investigatory scope and benefiting from each other’s work (DiGabriele & Ojo, 2013).

It is worth mentioning though that the scepticism expressed by regulators has been well covered in the media since Enron, but is there any real urge to regulate the market, or is it a matter of ‘ticking the boxes’ as expressed by one of the interviewees? To date, it seems as though the forensic accounting practice, if not the whole accounting profession, is regulated by the incentives of large accounting firms. The ‘regulative bargain’ taking place between powerful large accounting firms and the state/regulators has been widely considered in the academic literature (MacDonald, 1995; Sikka, 2008; Suddaby, Cooper & Greenwood, 2007, Malhotra et al, 2006). For example, Cooper and Sherer (1984) clearly highlighted the importance of studying the political role of accountancy and its institution. In addition, a study by Byington and Sutton (1991) showed the significant influence large accounting firms exercised in the creation of GAAS and GAAP in the US. This is also apparent from the evidence by the interviewee notion of negotiations between the Big Four and regulators with regard to which non-audit services were to be allowed or prohibited. Even though the independence rules and guidelines within the American context are ‘arguably’ ring-fenced, it is, ultimately, designed to fit the large accounting firms’ agendas. One should also take into account the number of ‘failed/unsettled’ SEC investigations into the practices of the Big Four. Ultimately, their rigid approach proved not to be any different from the principle-flexi approach followed in the UK.

This analysis diverts us again from the traditional professional path projected by Abbott and others sociologists, where standards were considered an essential step

towards professionalism. In the forensic accounting practice, the client and/or the instructing solicitors' perceptions of experts' independence are the most important governing factors of whether a firm will be instructed or excluded, whether an expert's reputation will bloom or be doomed. Evidenced by what Lawrence (1998) reported within the Canadian forensic market: if forensic accountants have been perceived as losing their objectivity by solicitors or have been subject to criticism by judges, that threatens not only the reputation of the individual but that of the profession as a whole. That might explain why big 4 interviewees were very keen to project an image of professionalism and explain the amount of investment made to maintain their reputational capital and to not risk jeopardising their reputation to please any particular client. To that end, Sikka and Willmott (1995a: 556) emphasize the profession's ongoing need to reinforce its claim to public trust in the traditional sphere of audit. Central to this claim, they argue, is the assertion of independence. "Misgivings about the independence of audit are doubly damaging to the profession because they threaten to devalue not only the material and symbolic value of a core area of expertise but jeopardize accountant's capacity to defend and expand other lucrative (and growth) areas (e.g. other consultancy services)". Similarly, Hopwood (1990) and Robson et al., (1994) argue that most accountancy firms still see audit as the cornerstone of their business: it acts as a "cash cow". Either way, the accounting firms' most profitable services were initially facilitated through the client base provided by the statutory audit.

Therefore, there seems to be a free-market logic in markets dominated by corporate professionalism, based on the assumption that the forces of competition and significance of reputation are sufficient as such, without any regulatory support, to control the behaviour of professionals in accordance with the preferences of users of professional services (Freidson, 2001). Thus, the next section investigates in-depth the impact of such limited regulatory arrangement on the forensic accounting practice.

6.3 The UK regulatory context

In the light of discussion presented so far, there seems to be a notion of lack of direction in the forensic accounting market, which has worked well for some firms but disappointed others. However, on the whole, a free market system seems to be

dominating the forensic accounting industry, where heightened competition and eagerness to remain reputable are the real controllers of the firms' practices. This, of course, will reflect hugely on the upcoming part of this section which does not focus on the regulation of the practicing firms' independence per se, but on the whole forensic industry.

The UK accounting profession is famous for its self-regulatory nature, where the major accounting bodies are charged by the state with the day-to-day responsibility for regulating the practices of the accounting profession (Robson et al., 1994). Hence, one expects that professional accounting bodies have a critical role to play in the forensic accounting market through issuing standards and guidelines and through offering their training programs. It is through such endeavors that a profession can maintain the legitimacy of certain areas of professional work and defend itself from rivalry, as argued in the sociology of professions literature. As presented in chapter 2, professional bodies' role in the forensic accounting industry is limited. It is the aim of this section to (1) understand the role of accountancy bodies (in this study, ICAEW- as the largest UK accountancy body and the only institute in the UK that created a forensic group and forensic certification- was chosen to be investigated) in legitimating a professional identity in the forensic accounting practice, and (2) examine how forensic accounting is regulated in the UK and investigate the impact upon forensic accounting practices of the self-regulatory nature of the accounting profession.

This section aims to discuss the results related to RQ: RQ5: Why is the forensic accounting practice unregulated in the UK?

6.3.1 The ICAEW's role: insufficient or difficult to achieve?

It has been clear throughout the analysis of this research's findings that large accounting firms construct and determine the boundaries of the forensic accounting practice in the UK and *'Everyone else including professional associations tend to follow'* (Greenwood, Suddaby and Hinings, 2002). The ICAEW is the only professional body in the UK that acknowledged the significant growth of the forensic accounting practice and took some steps to mark its presence in the market. In order to understand how the ICAEW theorised and legitimated the changes made within

itself (that is, the expansion of the accounting profession into many, if not all, forensic accounting jurisdictions), a senior member of the ICAEW's forensic special interest group who has been on the committee for the last ten years was interviewed⁵⁴. It was evident from the discussion that ICAEW was keen to establish the forensic special interest group with the aim of protecting the institute's reputation from those chartered accountants who want to enter the field but are not qualified to practice forensic accounting. The professional body was also aiming to formalise the membership boundaries in the forensic accounting field - that is, authoritatively setting boundaries of who can practice within its jurisdiction and how - through launching a voluntary accreditation scheme for forensic accountants through which it can provide its members the benefits of training courses, webinars, and help sheets and most importantly, enclosing an online public register of those qualified and considered to be competent to provide this line of work.

'I was constantly meeting other qualified accountants at court who were opposing experts, who didn't have the first idea about what expert witness work was about. It seemed to me that they were not only creating unnecessary work for the lawyers and everybody else, because they couldn't write a proper report, they couldn't conduct themselves properly in the witness box and so on and so forth; and I feared that there was a risk of the Institute's reputation being spoiled by people who were Chartered Accountants, who really should have stuck to auditing and other mainstream business, because, to be a proper forensic accountant and expert witness, you need to be a member of this second profession. So my big plan was that we would have a stick and carrot approach. The stick is that if you take on a job you're incompetent at doing, you will be disciplined by the Institute. But, if you want to do it seriously, we will train you, and hopefully there will be more jobs, and from that developed the accreditation scheme for forensic accountants. People can look up on the Institute's website, and if they want a person who we say is competent to do this sort of work, there they are... We also wanted people to look for the institute for advice, so we started to conduct high profile conferences on yearly basis as a sort of training and as a networking opportunity for our forensic accountants, we produce about eight help sheets a year,

⁵⁴ This specific interview lasted 90 minutes.

we also have a helpline for people with particular problems.' (Interviewee CH, Sole forensic practitioner and senior committee member of the Forensic and Expert Witness Group (FEWG))

In addition to ICAEW's FEWG forensic accreditation scheme, the institute launched a partnership with The Academy of Experts (TAE) to introduce a register of Accredited Accountant Expert Witness Scheme on the basis of improving the scheme for members: *'so we accredit forensic accountants and the Academy accredits expert witnesses'* or it might be a marketing strategy to get well known as one Big Four partner interviewee noted: *'they later partnered with the Academy of Experts to gain some publicity in the legal press. Personally, I think it was a bizarre move. Accountants went for this scheme because it was something accounting, run by a very august body. Then for the institute to effectively say, we are no longer doing this was an utter backward step. I mean, how is this different from the TAE scheme? Perhaps the institute realised if they advertise it more widely in the legal profession soon lawyers will start believing in it, and then the pressure becomes a commercial pressure, doesn't it... it will be more impetus for them to become accredited.'* Regardless of the intention, the FEWG interviewee was pleased with the partnership and the training opportunities that come along with it to improve the effectiveness of accredited forensic accountants and expert witnesses: *'we, in partnership with TAE, are co-branding a series of courses. The first three, which will start next year, are a foundation course, a two-day course on how to be an expert witness; problems facing the expert; and then a two-day course on expert determination, which is a form of ADR.'*

In spite of their efforts, the participation in both accreditation schemes was really low, where the ICAEW FEWG member expressed his disappointment by noting: *'there are only about 50 people who've approached the institute's forensic accreditation. The community's much larger than that; it is a very popular branch of the profession now. We are disappointed that so few people have taken it up.'* Additionally, the Accredited Accountant Expert Witness' scheme has attracted only 88 people as shown on the TAE register. The reasons offered by the professional forensic accounting interviewees for their disinterest in the scheme is that some perceived it as an attempt by the institute which replicated what had already been offered by the

various other bodies in the UK, such as the Academy of Experts and Expert Witness Institute:

'I don't believe that it is necessary to belong to the institute. I mean, they have subcontracted all the supervision of our work and training out to people like the Academy of Experts, which is where decent accountants have been going to for all types of training anyway. To me they are just replicating something that is already in existence. (Interviewee AM, Boutique firm senior forensic partner)

'I don't know if there's much more that the Institute can do, I'm not sure. Well, there were two, and now there are three. There's the Academy of Experts, and we've been members of the Academy since it was formed 20 or however many years ago it was. Then the Expert Witness Institute came along, offering the same as the Academy of Experts but a different organisation, and some of us are members of that, but there's little added value. And now the Institute's come along with something pretty similar to the other two. So, it's just another kind of qualification, it's not even a qualification, because all you have to do is be vetted, you're not writing any more exams. And it was the same when we became members of the Academy of Experts, you know, I had to submit expert reports, I was interviewed, I had to show how many cases I'd worked on, how many times I'd given evidence, so it's based on experience, really.'
(Interviewee TL, Forensic boutique senior partner)

Others felt that being world class professionals working for the Big Four forensic accounting units or forensic boutique firms obviated for them the need for the ICAEW's qualification or any of their guidelines/frameworks all together. However, the interviewees did acknowledge the usefulness of the ICAEW's accreditation scheme and guidelines to smaller firms and sole practitioners who do not have the brand recognition or the resources to come up with quality standards like their larger counterparts. As expressed by some:

'We as a firm have developed some very high quality standards... and because our quality is incredibly important to us, if we mess up on a job we damage our reputation and our firm image and that will cost us in business. There are other firms, particularly small and sole practitioners, who just don't have the resources that we do, they haven't got teams of people as we do, back office people who generate rules and can monitor quality. Therefore I think it is helpful if they can draw on certain

common standards that you would expect to see and I think for the Institute to provide guidelines, qualifications or whatever they call it for those firms I think that is helpful.' (Interviewee GL, Big Four forensic partner)

'I don't think there is much they can do to be honest; I haven't felt the need for it [ICAEW's accreditation and guidance]. There are specialist groups, there's a forensic accounting group and they do a good job. There's a technical department who help with technical queries, so that's very, very useful. But after a while, when you have sufficient experience, you automatically know what is the right thing to do. I very rarely think back to Institute of Chartered Accountants Rule 27(b/6) if that's what it is, and couldn't care less, because I'm imbued, I'm steeped in the right way of doing things. And most of the firms who do this, either they're individuals with a lot of experience, or they're firms with the resource to do it themselves.' (Interviewee DH, forensic boutique senior partner)

'I would say from our firm's perspectives, our firm's procedures and policies are very good and do the job but I think because it's an unregulated, unguided profession I think the more guidance that's available to people who want to do this sort of work is to be welcomed. I do know that the ICAEW who's got a forensic specialist interest group, they have put out some guidance about some areas recently and say "Join us, sign up to our newsletters, register in our accreditation scheme and we can tell you what's on". I personally did not see the need for any of that and the reason was, as our firm brands, it does enough for our practice and for me personally to achieve what I want to achieve. I suppose the big firms and the major boutiques probably don't need that either particularly because we've got too much reputation at stake etc. But from a marketing perspective if they can promote that chartered accountants market is the best quality skills, so you know, people can come to us rather than go to law firms then it's great.' (Interviewee GG, Big Four forensic partner)

'You see, I'm relatively relaxed, because I think that we are leading edge, if I was working for a smaller firm who hadn't developed their own, I'd be a bit exposed, I think, because I wouldn't really know what best practice looks like. So, because – this sounds bloody arrogant – but because we've been working on this for 20 years, and we've developed it, and we've seen what the other Big Four do, because we come across what they do every day, we think we understand what best practice is, and

what's right, and when it goes wrong. I think if you're in a smaller firm, something that the ICAEW had done would be really helpful, because if you don't see it all the time and you haven't developed it, you're a bit exposed as to what you can and can't do.' (Interviewee JS, Big Four forensic partner)

These interviews' connotations might explain why the ICAEW's public register of accredited forensic accountants and accredited accountant expert witnesses has only few people (around 4 or 5) from the big firms and the remaining majority are from smaller firms or sole practitioners. It seems as though the ICAEW's attempts failed to impress the big players in the market, and this, of course, has reflected negatively on the publicity of their scheme. Unlike in audit, where accountants need to belong to an institute to earn the prestigious badge of ability and to get a career started in accountancy (Sennett and Cobb 1972), forensic accounting is an area of practice that is well beyond the support of accounting professional institutes especially when there are well recognised competitors (such as EWI and TAE) who have been accrediting forensic accountants and expert witnesses for more than 20 years and are well known to the legal society. That further illustrates the market driven ideology that regulates the forensic accounting practice.

In addition to that, interviewees expressed their concerns about ICAEW's ability to framework sufficient guidance, questioning their knowledge/experience in the field of forensic accounting. In particular, big 4 interviewees were critical of any attempts to define the forensic accounting market boundaries by professional bodies or other institutes, reassuring that the marketplace is quite capable of sidelining the unqualified ones from getting any work.. As expected, Big Four interviewees opt for free competition.

'I am not sure if the Institute, with the greatest respect, is at the cutting edge of what is happening in the market and so I'll be cautious about the institute's special interest groups and others try to dictate and we have seen issues like accreditation and other ideas coming up from special interest groups- accreditation of experts, accreditation of forensics- which I think quite a lot is not desired and therefore many of the ideas are poorly thought through and poorly implemented and often don't gain attraction because they are often half baked.' (Interviewee AG, Big Four forensic partner)

'... the ICAEW has historically had a regulatory role before they were superseded with the current set of regulations in that the government required companies to have audits and that was a mandatory imposition by the government... and the Institute as a professional body was charged with regulating the conduct of audits, that made sense. There was a need because it was a legal-driven process. I would distinguish the audit market from the forensics market because it is much less clearly defined; we know what an audit is. It is much less defined in what we are doing. And we operate already in a very competitive market and in my view and I am more a free market person. If you fail to adhere to the right set of qualities, if you don't do your job properly and in expert witness work if you don't produce good reports and if you are not objective you will be conceived to be a hired gun. Too closely aligned to client interest, then you will do a bad job and if you do a bad job you won't get work, your reputation will be ruined and I think the market will decide who can do good work and who won't do good work, and I think the market which is capable of keeping people in business and driving others out of business is far more effective than bureaucrats trying to lay down rules and therefore I challenge the ICAEW ability of keeping up with developments in the forensic market. And they would have to draw on us anyway if they want to come up with sensible rules. I don't mind sharing our rules to help other practitioners but I am being cautious about the Institute trying to regulate us. I see no case at the moment for them to have the right to regulate our business.' (Interviewee GL, Big Four forensic partner)

'I don't think their role is necessary. The institute is there to regulate accountants, they have very strict guidelines for what accountants should and shouldn't do. I do not think they should get involved with trying to regulate specific areas of what accountants practice, which is effectively outside the institute areas of expertise. I mean the institute is there to guide accountants not to guide specific experts in specific areas of civil and criminal cases.' (Interviewee SB, Big Four forensic technology partner)

The above section explored the role of one of UK's major professional bodies (ICAEW) in the forensic accounting practice and their relations with major forensic accounting practising firms. That is, the ICAEW attempt to impose licensing or registration, even by using a softer form of regulation as compared to

the American and Canadian approach (see Chapter 2, section 2.2), has failed to attract the interest of the already established professionals. It also seems that not only did the ICAEW's accreditation scheme seem repellent to the well established experts interviewed for this study, but also only 16.1% of survey respondents possessed the certification (see Chapter 4, section 4.4.2.1.2). The reasons provided by the interviewees were (1) the ICAEW's attempt to regulate the practice through the introduction of the accreditation scheme was not well thought through and came across as a replication of what already has been in the market, (2) the forensic accounting practice is well regulated by the market (that is, good ones get more work, bad ones get no work and are thus driven out of the market), (3) the people who are already in the forensic business for many years are already well established and experienced in the field and finally, (4) ICAEW does not have the capability (in terms of knowledge and experience) to guide experienced professionals who claim to know more about it than the institute. The question here is: what does this tell us about the legitimization of the forensic accounting practice?

In the mainstream accounting practice, the academic literature (Willmott, 1986, Kyriacou, 2001, Radcliffe et al., 1994, Greenwood et al., 2002) provides evidence of the political role professional bodies come to play in legitimating change to the accounting profession in order to defend the interest and preserve the scarcity of their members' labour. For example Greenwood et al. (2002) show how professional bodies in Canada have provided authoritative endorsement to the shifted jurisdiction of accounting firms from primarily delivering accounting services to providing multidisciplinary practices. It is through professional bodies that accounting firms were able to legitimate such practices. Professional bodies have long fought turf wars between occupations and practised social closure to deny entry to those who do not meet specific entry criteria in their membership. The role of professional bodies was also expected to be seen in the area of forensic accounting; maybe it is still in its early days and shall take a more active role in the future. However, it seems that in the forensic accounting practice the established forensic practitioners are far more powerful than the professional bodies trying to monitor their non-audit practices. This reflects the ideology of corporate professionalism as opposed to the traditional professional route, where

professional bodies drive the legitimation and expansion of a profession's jurisdiction. Here forensic accounting professionals are the real determinants and so far they support a free market positioning for the forensic accounting practice. The next section reflects further on this preferred loose regulatory context and its implications on the practice.

6.3.2 The standards of practice: The non-existent formal and the predominately informal context

This section investigates whether forensic accountants in the UK follow any procedural standards when executing their assignments and what sort of impact the lack of direction and guidance in the forensic market has on their practices. A theme that emerged from the analysis, which is the informal regulatory context that shapes the practice of forensic accounting, is also discussed in this section.

One of the important stages of professionalisation is the creation of an ethical code that defines and develops a professional group knowledge base, displays a reasonable jurisdiction of that knowledge base and legitimates the activities of the practising professional group (Abbott, 1988). This is how a professional group significantly locates itself within society and successfully attains its professional status (Edwards, 2001).

While each professional body in the UK has developed a professional code of conduct as 'the main foundation document of the accounting profession... it is the ethical concepts that tie the body with spirit. Indeed, as suggested earlier, it is agreement on ethical concepts and adherence to them by an overwhelming majority of practitioners that transforms a vocation into a profession'. (Higgins & Olson, 1972:33). There is little coverage of what is expected, ethically, from chartered accountants during forensic accounting/expert witness assignments (more details are to be found in chapter 2, section 2.3.2). Additionally, none of the forensic practices of practitioners are monitored or reviewed by professional bodies or, for that matter, by anyone in the UK.

The interviewees were asked to comment on what guidance they followed given the lack of any framework, guidelines, or standards to govern the forensic accounting practice in the UK. There appears to be a general agreement among the interviewees

that, although forensic accounting is not regulated by a specific body or institute, the general guidelines coming from the different organisations (in reference to TAE and IEW guidelines, Civil Procedure Rules, and ICAEW ethical code) are collectively regulating the market. Additionally, all responded that their being qualified accountants meant that they were obliged to comply with their institute's professional and ethical rules and its code of conduct. Some also noted the guidance provided by the ICAEW FESG online help sheets, which offer assistance to members of the profession undertaking forensic work.

'I'm a Chartered Accountant, most of my staff are Chartered Accountants, so we have the ethical rules and the professional rules of the Institute of Chartered Accountants in England and Wales. We follow the IBA [International Bar Association] Rules on Gathering of Evidence. In every Arbitration Expert Report, I sign the Expert Declaration, which is a prescribed format, to say that I understand my obligations and my duties. In UK litigation, we have the Civil Procedure Rules, Part 35, etc., so there's a whole range of regulations that we have to be aware of and we have to make sure that we follow.... I think on the whole, [sarcastic laugh] the general noise coming out of the profession is a profession that has the right idea.' (Interviewee GS, forensic boutique senior partner)

'There isn't really a great deal of regulation, other than the Expert Declaration, which comes, in the UK, from the Civil Evidence Rules. In international arbitrations, there's a much briefer expert's declaration, but at the end of the day, the only rule is that basically we tell the truth, the whole truth and nothing but the truth. That's what it boils down to. It's a relatively unregulated area, although obviously in the High Court, you have to commit to a slightly longer expert declaration, but it doesn't say anything that's not common sense.' (Interviewee DH, forensic boutique senior partner)

However, Big Four interviewees placed more emphasis on the internal guidelines developed by their own firms: for them, the resources and efforts put into their development are sufficient to enhance the quality of the services they provide, protect their client's interest and most importantly act with objectivity, integrity and independence.

'We have got very detailed and lengthy guidelines on every stage of our work, from pitching for work, from accepting work, from contracting with clients, how do we do work, how do we document work, how we report to clients, on everything from the look of the report to who may sign reports. We have got guidelines on accepting clients, on engaging with other [branches of our] firms, on the terms of multi-type working. So they are very detailed guidelines, risk is absolutely vital, we spend a lot of time on that, we get tested, everyone gets tested, we spend a lot of time training to learn the rules, we are monitored throughout the year [reference to peer reviewing] on how we do that; so we get engagements to be selected and looked at to make sure everything is done properly. Pretty much most jobs will have at least a consultancy partner or quality review partner who will go through client acceptance, the engagement terms, the partner report on the basis of the principle: four eyes are better than two. So there are a lot of checks and consultation, all of which is designed to make sure that a) we are managing the risks of the job and b) to enhance the quality of the work. We spend a lot of time and a lot of money on that and if you mess up, if you mess up on a file or break any of the rules, there are severe sanctions which can include dismissal.' (Interviewee GL, Big Four forensic partner).

'As you know there isn't an institute of forensic accountants, there isn't a regulator or anything else where someone could set themselves up as a forensic accountant which is interesting. That's not the case everywhere; there is certainly I think Canada for example has got standards for forensic accountants. Here we've built up, I don't know how it started, a body of procedures, guidance, policies, standards etc. for all aspects of our work. In the forensic space those policies etc. are owned by the forensic department. The forensic department is responsible for keeping them current, making them better etc. reviewing them and we have a technical partner, a technical director, we have a risk partner, risk director that are responsible for making sure those standards are up to date. So we have a huge volume of stuff which we still call the forensic practice manual. It's an intranet based resource now rather than a book. Essential because it forms the basis of everything, all of our new joiners are shown what's in it, are taught the fundamental bits of that, and it's a ready reference for everything we do i.e. when I'm going into a new engagement I turn up that book and go through the checklist and go through the steps and make sure that I've got the appropriate things in place as we go and do it. I can certainly tell you that those sorts

of manuals were initially built up within the Big Four and people tend to follow afterwards the high standards we placed. And this is common to most if not all of the services that we do, we create quality standards to say this is what we do we always do it and this is what it takes to deliver one of these jobs. Management Consultancy isn't a regulated business but we have standards, policies and procedures.' (Interviewee GG, Big Four forensic partner)

It is apparent from this discussion that the interviewees found the current self-regulatory system effective. Here the term 'self-regulatory' is used in the sense that we are currently witnessing how forensic accounting practising firms manage their practices rather than having professional bodies monitor their performance (more details of this informal form of regulation are to be found in the next section). While interviewees confirmed that they do take all regulation into consideration, it is their own internal guidelines that they follow very firmly.

'I think that our internal regulations work very effectively, and I think the ethical standards are, you know, really high. I also think that the Civil Evidence Rules are very helpful. If they weren't there, then I think there would be problems. So I regard that as effective regulation. There may be some firms, I suppose, out there, who offer more non-traditional forms of investigation: we call it garbology, where people are hunting through dustbins for information, or they're getting information through covert means: hacking, you know, to get people's bank account information would be totally wrong. But we have very strong internal guidelines, as do the major names in the market. We all have internal guidelines over what you can and you can't do to legitimately obtain information.' (Interviewee AG, Big Four forensic partner)

'I think the current system works pretty well. If it didn't work properly, the solicitors who pay you, or their clients, would soon go somewhere else and soon get it right, because they want to see results. People, on the whole, do what they're supposed to do, and I think standards are high. I think the profession is of a pretty high standard in the UK.' (Interviewee DH, forensic boutique senior partner)

On that basis, no interviewees perceive a need to develop formal standards for forensic accounting practice, or have any additional regulation to what is in place already. Although there is no legal restriction on who might practice as a forensic accountant in the UK, interviewees regard the current system of self-regulation and

the strong marketplace mechanism- referring to the rigorous interview process that solicitors/barristers undertake and the fear of getting criticised by judges- as very efficient at protecting the boundaries of the forensic accounting practice and in itself deny entry of those which do not meet specific entry criteria (i.e. social closure)

'There's very little regulation, to be honest. I mean, there's next to no regulation on who can be, anybody could, you could go along to solicitors tomorrow, and present yourself as an expert witness. With all due respect, they probably wouldn't buy it from you, but there's nothing to stop you, if you understand what I mean. And providing you do your report and you sign your expert declaration, good for you. You know, you wouldn't get the job because the instructing solicitors know that the first question from the opposing side is Explain your CV, how long have you been doing this? You're not going to get very far because you haven't got the experience. But that's not regulation, that's marketplace. So I don't think it needs any more external regulation than is already there, I don't think it does, there's a lot of internal regulation and professionalism.' (Interviewee DH, forensic boutique senior partner)

When interviewees were asked to explain the reasons why no general framework was developed, they expressed the difficulty of standardising all forensic practices and engagements into one general standard. While the expert witness work is more clearly defined under the Civil Procedures Act, the vagueness of the outcome of investigative work makes it impossible to place 'it all under one umbrella':

'I don't know what you'd get when you cover the whole market. I mean in terms of guidelines... I suppose in my role in the investigations side it's so varied. One minute I could be doing a criminal investigation where I'm carrying out an interview under caution and so you've got this political criminal evidence that you've got to deal with. But the Political Criminal Evidence Act has no bearing on the current assignment I'm working on which is an accountary statement, which is essentially looking at accounting, sort of, standards and such things. So the two are completely different, how can you put it under one umbrella? So I don't know if you need anything more than this idea that you should always act in a professional manner and integrity and just be aware of your ethical responsibilities. But if you were an expert witness then there are additional guidelines for expert witnesses and you have the academy of experts and the expert witnesses institute and various other things obviously what's

been set down in case law is about what is expected in an expert witness and so there are certain guidelines there about what you can and can't say in your reports, how your reports should look, the declaration etc. So in that field I think that's covered but on the investigations side, investigations in fraud, accountancy statements, I don't think you can capture it under one umbrella.' (Interviewee JH, forensic boutique senior partner)

'The difficulty is, what's the nature of the thing you're talking about? What is forensic accounting and therefore what is the set of standards you're going to develop? It's quite hard and in a way an audit is an audit but a forensic accountancy engagement is 'how long is a piece of string'. One day you're looking at a theft of money from a parking meter and the next day you're looking at sanctions controls in an international bank or whatever it is...coming up with sets of standards and rules that are appropriate to those against which you're going to measure people and make them accountable. It's a big ask, but underline if we can come up with things that will protect the public, raise standards, deliver value for money, protect the reputation of chartered accountants. It is good, but not possible.' (Interviewee GG, Big Four forensic partner)

'Looking at chartered accountancy generally, we wanted to follow the same soft touch approach. The Canadians launched, about four or five years ago, a very high level forensic accounting qualification which was ferociously expensive, and we didn't feel that that was a road that we wanted to go down. And, I think one of the difficulties that we have is that forensic accountancy is a very, very broad church. I tend to be an all-rounder, and currently I've got cases on to do with personal injury, mesothelioma, matrimonial evaluation, asset recovery, professional negligence, partnership disputes, and so on and so on. I'm also a mediator, I'm also an expert determiner. So I do lots and lots of things. Some people do nothing but, say, matrimonial evaluations or civil disclosure. It's very difficult to put in a structure for people who are doing very different jobs. So we don't think that it ought to be any more formalised than that [in reference to the ICAEW FEWG voluntary forensic accounting accreditation scheme].' (Interviewee CM, Sole forensic practitioner and senior committee member of FEWG)

Building on the 'each investigation is different' notion, an interesting insight was provided by one of the interviewees where he expressed the impracticability of having

extra regulation. This was not only because he believed it was difficult to implement such an ‘all in one’ regulatory system. More often than not, in the investigation side of forensic accounting, the client sets the scope of investigation, and they, forensic accounting practitioners, provide the service according to this scope. Therefore, in the interviewee’s opinion, if the scope is to be set according to the client’s budget, how can you have a set of regulation that challenges how the services should be provided and whether a framework was consistently followed?

‘There is a constant debate, that I’ve entered into occasionally, with those that would like to see greater regulation about what we can do around investigations. But the debate on the other side doesn’t understand the challenge of the industry. The problem is, when we’re engaged by a client to do an investigation, we’re engaged by management to conduct an investigation of a scope they have set. And we can challenge that scope, but, frankly, if they’re paying the bill, they set the scope. So we need to be very clear in our report what scope it is we’ve been asked to investigate and what we haven’t been asked to investigate, and what our conclusions are, and that’s the current state. I think some people would like it to be that the scope needs to be set with a view to the public interest, which is ludicrously impractical, because if I get called by the chief executive of a small company to say I’ve got a problem here which I’d like you to investigate, I’ve got £50,000, and we say, Well, for that, we can only do x, y and z, we can’t do everything, and he’ll say, Fine, I accept the risk associated with that, do that £50,000 worth of work, and we’ll take a view on where that leaves us. If we were to have an independent requirement, we’d say, Sorry, we just can’t do it, because we need to spend £130,000 doing this. And he says, I haven’t got the budget to do that. And that ends up in an impossible position. So we end up, no one does the work, and you get a worse situation for everybody. So it’s not like an audit. Audit regulation basically says, an audit does this, this and this, you’ve got to follow these processes and this is the answer. Every investigation is very different, and so you can’t say, this is the answer you go for. It’s a fascinating area: it would be very interesting to have a look closer at it, but I don’t think there’s a simple solution to it.’ (Interviewee JS, Big Four forensic partner)

While the interviewees rejected the idea of formalization and regulation, some interviewees considered that within the current regime the client interest is not immune from ‘the people who are doing bad stuff’ and therefore suggested the

possibility of constructing and mobilizing a system of monitoring-of any chartered accountant who practises forensic accounting- to be run by ICAEW:

'If there are complaints against chartered accountants, the institute's processes are very strong. Every complaint that's made they will address as a serious complaint and take it very seriously and we take it very seriously when someone makes a complaint either to us or to the institute about us. There's no doubt that that's a serious process. I think what's missing is the completeness of that process... that it does take a client complaining to trigger it. There should be something else I think that maintains the standards. So as a regulator I think it's... audit regulation works when we have people come in and look at the audits ... the financial reporting council comes in every year and trawls through a whole load of audits that we've done. The institute doesn't come in and trawl through a load of printing engagements, or expert witness engagement, maybe there's a place for doing that a bit more, practically if there's a trigger for it and I think there are some judgements out there when you read them, when you go gulp... this person has really lost their objectivity... the judge has said they've lost their objectivity and they've come up with something that no one could have reasonably have put forward and you say 'how is that person just able to do another one without the institute taking any notice?'

'...I think and my colleagues won't thank me for saying it, that independent review from the professional body helps. External validation is a useful thing to have if you can point to an external body that says you know we are an accredited ICAEW forensic practice and we've been inspected by them that's a good thing. No one will thank me for it ... we all say it doesn't need to happen to me because I'm really good but it would be useful in the market. It may improve what we do in the firm. If it protects the consumer that too is a good thing, I don't want to see people practising forensic accountancy damaging consumers. We don't need the consumer protection angle particularly, but I'll be happy for someone to come a long and say well actually if you change this then the consumer will be even better off, but I've seen that happening in lots of other areas that are regulated so in the insolvency area where we thought we were fine, historically the regulators have said we found this little thing in one area where you're not quite doing it right...and you say okay let's fix it and you fix it, and that enhances consumer protection and that's a great thing.' (Interviewee GG, Big Four forensic partner)

In contrast, the opposing view questions the value the monitoring scheme would bring to the practices of leading firms who already have stringent internal (and as is argued in the context of this study, informal) review processes in place. The informal regulatory system is considered vital if a practitioner wants to be considered in the superior professional group.

'We carry out our internal engagement quality reviews on every forensic partner every year. I must say this is far more effective than any external monitoring review. If the institute decided to go ahead and review our forensic engagement periodically, to us, like in their audit reviews, it's Mickey Mouse. Our standards are so much higher than their requirements that we don't really worry. I mean we care: the review matters. But the one that really matters is when the national office reviews us. So, if I've done twenty cases, two or three of those randomly will be selected and they will be reviewed for compliance with our methodology and for quality of output, etc., on which I'm assessed. And I'm being graded on that. So it's part of my annual assessment. All the fifteen partners in our forensic practice get that qualitative assessment, by an independent – and it's usually another part of the world, so this year, a partner from India, and a team from India came to London, and they reviewed the partners and their performance in relation to different cases. And they got graded, and they got marks, and all that sort of stuff. And that feeds into your annual appraisal, as to how good you're doing as an individual. And general learnings are made as to how we might improve quality. And that's a really effective way, an independent assessment of somebody that can review it.' (Interviewee JS, Big Four forensic partner)

'Well I question the value of having the Institute coming to look into our frameworks and methodologies...might be difficult for them to grasp many of the concepts [sarcastic laugh]... I'm not sure if the nature of the thing you are talking about here would add any value for the big firms in the field. It would be a box-ticking exercise which would be a bureaucratic pain in the arse... We have an annual practice review conducted by people from outside the department supported by, as necessary, others with particular expertise but look at the whole department procedures, so things like are we keeping our manuals up to date, are we filling in time sheets properly, are we doing all the things that we do as a department. They also look at individual engagements and they select those for each partner, 1 or 2 engagements for each

partner each year that says let's have a look at this from beginning to end starting from taking on that engagement the conflict check procedures etc. all the way through to whatever the final reports were. Did you do all the things in accordance to the manual, did you get the right sign-offs at the right time etc. With all due respect, this is what we call an efficient monitoring exercise.' (Interviewee JH, forensic boutique senior partner)

The researcher was very keen to get the opinions of a much wider range of the UK forensic accounting practitioners. Therefore, the survey also covered the UK regulatory system with regards to forensic accounting practice. Confirming that the absence of any such framework did not result in forensic accountants simply doing as they wished, 87.5% of the respondents indicated that they do follow regulations and guidelines while undertaking their forensic accounting engagements.

In greater detail, as shown in Table 6.1, when asked what these regulations were: 30.4% indicated that they followed internal manuals and protocols designed specifically by their firms; and almost 20% followed the Criminal and Civil Procedures Rules (2010); over 10 % followed guidelines articulated through their professional associations, such as the ICAEW's code of ethics. In addition, forensic accountants who are members of NIFA, the Academy of Experts, or the Expert Witness Institute *are* required to follow their regulations. These responses were not mutually exclusive and, as reported in Table 6.1, 14.3% of the respondents follow all these sources of regulation, while 12.5% follow none.

Table 6. 1 The regulations which are adopted in forensic accounting practice in the UK (n=56)

	No.	%
One or more sources	49	87.5
Internal manuals	17	30.4
Civil/Criminal Procedures Act	11	19.6
Professional Institute Standards	6	10.7
NIFA Regulation/ Academy of Experts Guidelines/ Expert Witness Institute Guidelines	7	12.5
All of the above	8	14.3
None	7	12.5

In alignment with the interview results, survey respondents also did not perceive a need to develop formal standards for forensic accounting practice. All but six of the respondents (87.8%) who use one or more of the sources of regulation listed in Table 6.1 found them to be ‘effective’ or ‘very effective’ and only two (4.1%) found them to be ineffective. Furthermore, when asked, 89.6% argued against any additional forms of regulation. When survey respondents were asked how formal regulation might be developed, some confirmed that they believed there was already enough regulation in place: ‘[forensic accounting practice] *is effectively policed by our professional bodies, by the lawyers who engage us and by the court/tribunal who see our expert evidence.*’ Other survey respondents considered that none of the current professional bodies are sufficiently experienced/qualified to framework an appropriate regulatory system: ‘*which body [accounting professional body] knows enough [about the practice of forensic accounting] to be able to provide such a regulatory system?*’ The minority who argued in favour of regulation believed that formal standards would lead to more ‘confidence’ in the market and greater consistency and awareness of some of the terminology used in this line of work.

From the interview comments made and survey responses received, the lack of regulation was seen in a positive light and perceived as an environment that creates opportunities for those experts who are qualified by experience. Any form of regulation beyond the Civil and Criminal Procedures Rules was perceived as being excessive and as serving only to limit a narrow field further. Some survey respondents went further, expressing their concerns of what such a framework might do to their clients, one commenting:

‘There is absolutely no evidence that any of the existing regulations in any aspect of financial life have improved the quality or effectiveness for clients. All it has done is create a toothless and incompetent bureaucracy [for] which clients have to bear the cost.’

Another survey respondent suggested that the UK accounting profession would react badly if a standard were established that set a qualification threshold or requirement above and beyond being a qualified accountant for anyone conducting forensic accounting work ‘*because accredited accountants in the UK currently have the privilege of providing any service they believe they are competent they can do.*’

The findings of the present study suggest that there is no relevance to add the ‘burden’ of having forensic accounting standards in the UK especially that developing and introducing them and managing to cover all aspects of the role of a forensic accountant could be problematic. Quite apart from the logistics of introducing suitable regulations, the current status of forensic accounting practice in the UK replays the argument of Robson et al., (1994:71) that the UK accountancy profession’s self-regulated framework is consistent with the liberal idea that voluntary forms are more acceptable to major buyers of accounting services as they offer a greater scope for corporate influence and flexibility in the process of accounting policy making and engagements.

The fragmented form of regulation is also enjoyed by the sellers of forensic services, who have been successful in shaping their respective field of practices by outlining and following their own methodologies in the field of forensic accounting and questioning the feasibility of being monitored or having their practices challenged because (1) their powerful knowledge and experience in the field of forensic accounting have outweighed the expertise of their professional institutes, (2) the scope of the services they provide is ultimately set according to the affordability to the client, (3) the capability of the marketplace to control the ins and outs of the field, and, most importantly (4) the informal regulatory context they have developed already regulates the quality of the services they provide. This takes us back to the dominating theme of corporate professionalism that emerged through the analysis of this chapter, in the course of which it has been obvious that large forensic accounting practicing firms are ‘significant actors’ in ‘professional regulation’ and identity formation (Suddaby et al., 2007 and Grey, 1998). In particular, professionalization here shifted from the traditional thought of ‘ethical codes must exist to legitimate a certain jurisdiction’ to being bound to and furthered through organizational strategies, tactics, systems and methods as well as through the initiatives and involvement of large corporations. The case studies employed here, therefore, to use Julia Evetts’ (2003) terminology, increasingly represent examples of professionalization from ‘within’ rather than ‘above’, as this process is largely controlled by corporate firms.

It is also evident that the reputation and experience of a forensic accountant are the powerful tools that attract more clients and hence limit the number of legitimate forensic accountants; and, echoing what Lawrence (1998) found in the Canadian market, it is the market that seems to be the regulatory body when it comes to forensic accounting engagements in the UK, where the importance of reputation in the selection and hiring process ensured good forensic accounting practices.

However, it should be remembered that the people interviewed (and surveyed) for the purpose of this study are key individuals in possession of power and resources, which they claim, enabled them to provide first-class services to their clients. One must consider the bigger picture of the potential damage that the current notion of ‘anyone can do it’ might have on the reputation of the accounting profession. Comments provided by the interviewees of illegal ways of collecting information is something significant to be considered, particularly, when we are currently witnessing the proportion of qualified accountants falling in these firms as increasing numbers of non-accountants are brought into forensic accounting teams because of their specialist expertise. Would these non-specific regulations be sufficient to ensure that standards are maintained and integrity in and of all tasks is protected? Is this the direction in which the professional profile of those engaged in this work is shifting?

Walker (1996) provides a case of the villainous activities of two founder members of the Society of Accountants in Edinburgh: “The depths of public outrage” generated by revelations of forgery, larceny and sexual immorality were sufficient to encourage the council of the Society of Accountants in Edinburgh to formulate, for the first time, a disciplinary code (Walker, 1996, pp. 25-29). It seems that the public visibility of the offence is seen to be the key factor driving a regulatory response. Perhaps a similar conclusion will be reached in the field of forensic accounting if a particular act proved to be too damaging to the reputation of accountants as the main providers of forensic practices. For the present, large forensic accounting practising firms are less troubled by the lack of professional closure- probably due to the informal regulatory system of peer reviewing they set for themselves. This system has been sufficient to keep them on the top of the league of forensic accounting. Also, regulation is indirect and non-specific to forensic accounting, relying on the institutional mores and rules of the professional accountancy bodies and of those firms engaged in the provision of forensic accounting services.

The question now turns to whether the fragmented nature of the forensic accounting field has invited inter-professional competition? Since forensic accounting lies between the accounting and the legal territory, it was considered interesting to focus on the legal profession as the main rival group to be investigated. The next section explores whether professional rivalry exists between the accounting profession and the legal profession within the territory of forensic accounting.

6.4 Law and accounting: the legal profession failure to claim rights in the forensic accounting market

A large part of Chapter 3 was devoted to discussing Abbott's (1988) framework of how interprofessional conflict between professional groups is the real determining feature of professional development. While the seeds of battles between lawyers and early groups of auditors in England -insolvency, tax and bankruptcy work- can be traced back to the eighteenth century (Dezalay and Sugarman, 1995; Abel-Smith and Stevens, 1967), the law profession failed to create a case within the forensic accounting practice due to certain factors. This section shows how Abbott's account (1988) neglected the existence of such factors that might mitigate conflict between professional groups, as Adams (2007:510) conveys it: 'because he assumed that interprofessional conflict would occur, he did not endeavour to identify the contextual factors that might either mitigate conflict or exacerbate it.'

This section aims to discuss results related to RQ: Why did the accounting profession face inter-professional competition within the forensic accounting practice? What jurisdictional settlements did the accounting profession have to settle for?

There is no question that forensic accounting is a unique form of professional labour, in every aspect of which law and accounting are equally involved. However, the accounting profession was able to demonstrate: (1) the appropriateness of the traditional accounting monopoly over the field, even though the number of non-accountants in the forensic field is on the increase (this was also evident in chapter 5, section 5.4), and (2) the ability of well-trained accountants to undertake extensive litigation support tasks, originally performed by solicitors, such as interviewing witnesses, searching for documents, participating in conferences with counsel and

without the presence of solicitors, drafting subpoenas, reviewing draft pleadings and preparing ideas for cross-examination (Lord Millett judgement in *Prince Jefri Bolkiah v. KPMG*) (Perell, 2001) .

Interviewees were asked to discuss whether they face any competition from other professions. There was a consensus among the interviewees that although law firms are allowed, and do provide forensic accounting services in the UK, they are limited on how far they can get within the forensic accounting market for three main reasons. First, there will be always a question mark around their independence: because of their advocate role, law firms can provide trivial forensic tasks but they can never write an expert report. Second, law firms suffer from their inability to keep the experience of their people up to date with the ever-changing trends of forensic accounting. Thirdly, law firms lack the technological capacity to excel in this field. The following statement captures how the interviewees are not worried about law firms trying to break into the field:

‘On the dispute side, there are some firms who would be doing a lot of the analysis on disputes before they hire an expert witness. They have seen the amount of money expert witnesses make and they try to do some work themselves in their own cases. They can never do the full amount of work because they can never be entirely objective. Personally, I do not really have a problem with them doing some work, we can't say we are losing money or jobs because of the simple jobs they do. But I would question whether the law firms can offer really good people the sort of career opportunities that a firm like us can. Uhm... ‘cause you know law firms, the power is with the lawyers, you can get many non accountants who are higher up in the firm so accountants have limited career opportunities there. Whereas it is slightly more interesting in some of the investigation work, where there are particularly regulatory investigations, there are some areas where, in terms of investigating, interrogating people, questioning people, fact finding, we will sometime overlap with lawyers. They can do stuff we can do, and we can do stuff they can do in terms of investigative skills. It happens, and I do not really see it as a problem. At the end of the day we got many skills that they don't have. For example, we are years ahead of them in terms of use of forensic technology in our investigations and skills like that. So I do not worry about competition from law firms.’ (Interviewee GL, Big Four forensic partner)

'A few firms have done that [provided forensic services], not very many. I half expected more to have done so, but they haven't. And one of the problems they've got is maintaining the experience of the people who work for them, because they'll always be in a slightly secondary role. Because if you were a forensic accountant working for a law firm, would you pick up enough broad experience to maintain your CV? It's quite difficult; because you wouldn't do the variety of work you might well do working for a firm like ours or for one of the Big Four. So they always have that challenge. And secondly, the whole question of independence. I'm acting as an independent expert. I am the court's expert. I am paid for by a party, but I have to do an expert declaration, which of course basically says, I will give objective evidence, irrespective of who pays me. The lawyer is not in that position: the lawyer is acting on behalf of their client. So if they did too much of the value-added of the expert evidence, the court may well regard it, and almost certainly would regard it, as being adversarial rather than independent. And I think that's a problem the lawyers have. So there are one or two law firms who do this, but most haven't.' (Interviewee DH, forensic boutique senior partner)

'There can be some friction...but they're not really in direct competition. There are some law firms who have their own forensic team internally to offer forensic services. So if a partner within that law firm has a forensic opportunity I think he may be guided to go to his own internal forensic team first of all to see if they can meet his client's needs. They quickly realise they can work on the basis of the skill set and the services they provide are very much complementary. So the lawyers will say, "Well, we can do, in investigations for example, we can do interviews, we can review legal documents," but they just haven't got a clue when it comes to the financial side, the accounting records and that's when they need you to come in. The lawyers often try to dictate the role for the forensic accountant even though the forensic accountant may well be better at conducting interviews, and most certainly understand the legal documents in the context of the financial world. So there is a potential conflict there and sort of treading on people's toes, so you've got to be careful. And certainly as I mentioned earlier the mundane task of reviewing documents, law firms might say well okay actually we can get in loads of paralegals to do that for that role at a much

lower cost. So there are certain pretensions there.' (Interviewee JH, forensic boutique senior partner)

'Yeah, well... lawyers try and compete with us in some areas, but the reality is, they don't have a technology practice and they don't have an accounting practice... none of them have got 200, 300, 400 people and thousands globally: we have thousands globally. No one's got that scale. So, yes, some of them try and do a little bit. So the bits where we compete are relatively limited around investigations that don't have an accounting aspect to them. But most of the law firms' forensic accounting practices are tiny, and they're conflicted, because they can't stand up in court and give expert evidence. So the competition's pretty limited in that regard.' (Interviewee JS, Big Four forensic partner)

Lawyers were not only perceived as lacking accounting knowledge to provide this line of services, they were also considered a hindrance in the skills-set they are trained to excel at. In fact, the interviewee who was a law partner and instructing solicitor for more than 10 years before he moved to a big 4 firm questions the law firm's ability to grow a forensic accounting business due to their lack of business acumen and narrow minded scope:

'One of the things that I think, is often under-played, there's this tension, particularly on investigations, between – and historically it's tensions between – lawyers and accountants, for seizing control of an investigation and sometimes it's about who's involved first. One of the rare things where accountants are great but lawyers aren't, and I can say that because I am a lawyer, is, I think all lawyers think that we're brilliant at ... questioning witnesses, but often overlook the fact that as soon as anyone hears that a lawyer's involved, witnesses get intimidated, whereas they don't get intimidated by an accountant. And actually, the accountants often go and do training on how to conduct interviews, and are really professional about the way in which they go about it. And actually, in my experience, accountants are much better witness interviewers, than lawyers are. Because lawyers are always trying to corner somebody, or that's the natural tendency. Anyway, someone is naturally on their guard when they've got a lawyer there, and they're naturally, maybe more likely to be

more off-guard when they've got an accountant talking to them. Actually something I've always advocated with my lawyer friends, is being a bit more open-minded and think a bit more laterally about what information you're after and what's the best way to get it...

'...Generally speaking, I think, in my experience, having spent 15 years inside law firms, and seeing all of my professional life spent around lawyers, and I studied law at university, and so many of my friends are lawyers, is lawyers generally – and this is a generalization- are not very entrepreneurial. And so, law firms are not a great venue to build new businesses. Whereas accounting firms are, because they are, by definition, entrepreneurial, because they grow so huge. So, this is a better place if you want to build a completely new business, this kind of business is a great place to do it, and law firms aren't. So I certainly welcome the competition, I just don't think they're a good platform in which to build new businesses.' (Interviewee SB, currently a Big Four forensic technology partner and previously an instructing lawyer)

Despite the considerable number of accounting studies supporting Abbott's argument of extensive inter-professional competition between the accounting and law professions, there appears to be little competition between the two professions in the field of forensic accounting. These findings provide a challenge to his model, which was too focused on how inter-professional competition define a professional group's jurisdictional boundaries, ignoring factors that could mitigate inter-professional competition, such as the ones discussed by the interviewees. In the forensic accounting practice, it is the intraprofessional competition that has had considerable impact on the professional development of forensic accounting in the UK.

This study showed that although the legal profession was interested in claiming a jurisdictional stand in the forensic accounting practice, by hiring their own in-house accountants, they did not have the status or influence to seize it for its own. Dezalay and Garth (2004) argue that when two professional groups are interested in claiming a legitimate social image in a certain jurisdiction, the leaders of each profession must find a way to disqualify the other by defining them as outside the boundaries of the professional norm. Here, the accounting profession identified the weaknesses of the law profession to claim a status in the forensic accounting market. According to

accountants, lawyers lack accounting skills and technological innovation needed for a well-rounded service to clients or even to attract skilled accountants to work for them. They were even seen as handicapped compared to accountants in tasks they are supposedly well trained to perform as proposed by the former law partner. Additionally, one of their own people (a former law partner) viewed law firms as lacking the business acumen and entrepreneurial spirit to expand their jurisdictions into new areas of professional work. He explained to the researcher that the main reason why he moved to a multi-disciplinary firm was because *'those people have the creative ability and resources to grow into new areas of business, that law firms failed to grasp centuries ago'*. This perception has also been widely echoed in many legal publications. For example, a partner with U.S. based law firm Lucash, Gesmer & Updegrove discussed strategies of how law firms can compete with the big accounting firms: *'I don't like the idea of fighting the accountants at the rules barricades. We should match them - and best them - with service, quality, and performance, and not by throwing a lot of monopolistic professional rules at them to squelch innovation and evolution.... So let's give credit where credit is due. It sounds like the bean counters are out-competing us and out-innovating us. Let's look for lessons, and see what we can learn.'* (As Quoted in Morello, 1997: 190)

This is what the law profession has been trying and failing to do since the 1990s. Evidence provided in this chapter suggests that the accounting profession exclusively leads the forensic accounting practice. If one's to apply Abbott's terminology to the jurisdictional settlement reached between the accounting and law professions within the forensic accounting jurisdiction, it is a subordinate jurisdictional settlement: that is, the dominant professional group allow the subordinate professional group to undertake *some* work, under its supervision. This might change in the future, if the law profession is (1) able to grasp the concepts of entrepreneurship, (2) increase the opportunities for non-lawyers (i.e. be a fruitful career opportunity for non-lawyers) and (3) expand into the regulatory investigation territory.

6.5 Conclusion

The analysis of this chapter provides evidence of the emergence of a new corporate pattern of professionalisation, one that Abbott (1988) had failed to capture. This corporate professionalism approach introduces a series of innovations with regard to social closure, to membership propositions and boundaries, client relationships, to the demarcation of jurisdictions and to the legitimization claims which are deployed. A key feature is the increasing recognition of the importance of large organizations as sites of professional formation and regulation (Muzio and Kirkpatrick, 2011, Evetts, 2011, Muzio et al., 2011).

The power of large organisations now directs every feature of a professional group in terms of the services provided and to be provided, the skills needed, the legitimation of the professional group and more importantly defining the entry boundaries and constructing the regulatory context. Accounting research has, for a long time, placed special emphasis on how professional associations have become a powerful social and economic force in society, and how and why they have been imbued with such influence and status (Cooper & Robson, 2006). This research has contributed to the existing accounting literature by showing the shift of power from professional bodies to large corporations. It has been widely discussed in this chapter how Chartered Accountants view their professional bodies. As they perceive it, their old fashioned non-creative approach, together with their lack of technology and expertise in the forensic accounting area, will frustrate any attempts to monitor or regulate the market. Professional bodies need to draw on the expertise and knowledge of the already well-established professionals in the field in order to gain any legitimate status in the field of forensic accounting as illustrated by the interviewees.

The hidden boundaries of intraprofessional conflict and competition influence the nature and organization of the forensic accounting profession in the UK: the ambiguity of its boundaries; the absence of a defining essence; and its politicised hierarchical structure. The Big Four firms top this hierarchical structure, having large international forensic teams who provide an array of different forensic services to the large corporations and law enforcement units across the globe. The Big Four forensic accounting units have enormous resources, vast industry experience, networking abilities and well-recognised expertise that other forensic accounting providers lack.

Evidence from this study also reports the success of large accounting firms in creating a professional status of the 'superior' professional group. This positioning in the market has been challenged by the significant growth of American forensic boutiques in the UK market. However, the Big Four interviewees were very keen to downplay the impact such competition might have on their practices, claiming that the forensic boutique firms can only be successful in certain territories- given their limited resources, they can only expand in certain specialisms, and when, and only if, *all* big four firms are conflicted and therefore side-lined. The Big Four claims of their superiority in the consultancy market have been supported by a survey conducted in 2012 by the Competition Commission, where it has been shown that over 90% of FTSE 350 companies use their audit firms for non-audit services. This again shows that the power of large corporations puts them beyond any independent regulation.

This study has also explored how practitioners view the lack of regulatory context within the forensic accounting market. The results were that no negative implications arising from the absence of a general regulatory standard for forensic accounting practices in the UK are perceived by the respondents. In contrast to what has occurred elsewhere, the view is overwhelmingly held that the creation of such a standard is unnecessary, possibly because it may be difficult to develop sufficiently broadly focused regulations to cover all forensic practices and engagements. The view might also exist because having such standards in place defining the boundaries of independence and conflict of interest, could be perceived as being likely to impact the forensic practices, particularly of the big players, in a manner that they would seek to avoid.

The inter-professional competition expected from the legal profession has proved to be minimal, due to their lack of business acumen, perceived advocate role and the lack of opportunities to excel in this field. Although the profession appears to be fragmented, the accounting profession has proved to be the only successful professional group in constituting an institutional legitimacy for its work that will privilege and protect its esoteric knowledge. This again challenges Abbott's (1988) over focused approach on inter-professional competition, and therefore, it would be more useful for further studies to look into the impact of intraprofessional competition in shaping the development of professions.

Chapter 7

Conclusion

7.1 Introduction

This final chapter concludes the research carried out in this thesis. The purpose of this chapter is to (1) summarise the main findings of this study and (2) propose areas of future research. This introductory section provides an overview of this thesis. Section 7.2 sets out the main findings. Section 7.3 outlines the main contributions of the study. Section 7.4 discusses the main limitations of the research and from the issues raised, areas of further research are identified in section 7.5.

Chapter one served as an introduction to the research topic outlining the aims, objectives and motivation that framed the thesis. An extensive review of the forensic accounting literature in chapter two revealed that the professionalisation process of forensic accounting in the UK has not been addressed sufficiently in the literature. Therefore, the research aimed to address this by investigating how forensic accounting was professionalised in the UK and the role of the accounting profession in this professionalization process. In doing so, the research aimed to investigate (1) the problem that has triggered the need for this professional group's work, (2) the legitimisation strategies employed by this professional group in order to claim expertise in the forensic accounting practice, (3) the forces that have shaped the development of forensic accounting practice, (4) the abstract and professional knowledge needed to legitimate this area of expertise, (5) the professional areas of work that the accounting profession was successful to claim expertise in to the work provided, (6), the role of professional associations (i.e. regulators) in legitimating the practice.

Chapter three provides an extensive review of the sociology of professions literature, where the three approaches (i.e. functional, structural and critical) to the study of professions are outlined. The purpose was to evaluate the concepts underpinning those three approaches, establishing a theoretical framework that would be suitable to achieve the aims of this study. It was concluded in this chapter that Abbott's (1988) thesis of system of professions was fruitful for the analysis of

forensic accounting practice in the UK and hence it was chosen to guide the study in developing and analysing its themes.

In chapter four, a research methodology was developed to justify the relevance and validity of the empirical data. It was observed that mainstream accounting research was hugely influenced by the positivist paradigm. Numerous calls have been made to encourage accounting researchers to utilise different approaches, ones that consider the social construction of the world, and how cultural, political, and social factors impact the current outlook of the accountancy practice. Therefore, an interpretive approach that employs a mix of qualitative and quantitative approaches was used to capture the complexity of the data. A case study research design was then developed, where the data collection was conducted in three phases. In the first phase, semi-structured interviews were conducted to explore the perception of key individuals about the nature of the forensic accounting market. The preliminary results from this stage were used to develop the survey questionnaire (the second phase) that was distributed to the forensic accounting partners/managers of the top 100 accounting firms in the UK, the ICAEW FEWG register and NIFA register. The last phase employed in-depth interviews and documentation analysis to deepen understanding of the major themes which had emerged from previous two phases. Chapters five and six provide the analysis of the data collected. Thematic analysis was utilised to analyse the three phases of data collection.

7.2 Review of the findings

This section revisits the five key research questions that formed the basis of this study in order to demonstrate how the research has addressed the points raised.

RQ1: what does the construction of the meaning of “forensic accounting” reveal about the development of forensic accounting in the UK?

The findings in Chapter 5 (section 5.2) show the difficulty of defining forensic accounting. The accounting profession in the UK has failed to construct a definition of forensic accounting. This is due to the diverse specialisation encountered in the forensic accounting practice which made it difficult to construct an appropriate definition. It was proposed in Abbott’s (1988) theoretical framework that a definition

of a professional's group work is essential to establish the boundaries of a professional group jurisdiction. However, the research findings suggest that the lack of such definition did not impact the accounting profession's legitimisation of the forensic practices. Therefore, the results challenge Abbott's (1988) suggestions by providing evidence that the UK accounting profession was successful in legitimising the forensic accounting practice without having a clearly constructed definition of forensic accounting. The accounting profession has used more powerful legitimacy strategies of marketing to legitimise the forensic accounting practice as explored in RQ2.

RQ 2: What professionalisation strategy is employed by the accounting profession in the forensic accounting practice?

RQ 2a: Which areas of forensic accounting practice (professional work) did the accounting profession claim professional expertise to? Did forensic accounting practising firms witness expansion of those areas of practice (i.e. extended jurisdiction)?

The results reported in chapter 5 (section 5.4) show that the accounting profession was able to claim expertise in four main arenas of forensic accounting practice, which are: investigative services, forensic consultancy/advisory services, forensic technology services and disputes service. The UK accounting profession was able to extend its professional expertise into different areas of practice within those four fields.

The study found investigative services to be one of the fastest growing areas of forensic accounting services which included quite a broad spectrum of services ranging from regulatory-driven investigations to financial and non-financial investigations. Findings indicated that the UK Bribery Act investigations are one of the most growing regulatory-driven investigations for large accounting firms' forensic accounting units, while the US Foreign Corrupt Act investigations were reported to be rapidly growing for large forensic boutique firms. It was also found that regulatory investigation into the financial sector has increased in the past few years due to the increased efforts of regulatory bodies and law enforcement units to investigate any form of corruption in the banking and financial sector. Financial investigations were

another lucrative area within the investigative businesses of the participants, where investigations of fraud, money laundering, asset misappropriation, valuation and matrimonial and investments scams were reported to be the most in demand. In addition, findings indicated an enormous increase of non-financial investigations such as investigating a client's employees' backgrounds, a corporation's background before a merger and/or acquisition transactions (known as due diligence procedures), whether an accounting firm was perceived as negligent or for example why a project was not completed efficiently.

The second area that the accounting profession claimed expertise in and witnessed growth in is forensic consultancy/advisory services, which focuses on providing clients with proactive and reactive advisory services. Proactive forensic advisory services aim to help clients to establish the necessary safeguards to prevent financial crime, fraud corruption and bribery from happening in the first place. They also extend to compliance consultancy services in areas such as competition law, Solvency II, Basel III and Bribery Act and whistle blower mechanisms, proactive fraud risk management and fraud prevention strategies. Reactive advisory services help clients to take action after a fraud has taken place to prevent the fraudulent act from happening again. The aim here is to assess the corporation fraud and risk internal controls and recommend new measures to improve their systems. The results indicate that reactive forensic advisory services include asset tracing services, anti-fraud and anti-money laundering programmes implementation and assessment, bribery and corruption risk management services.

The third forensic accounting service area, which the study found to be growing at a very fast pace is in forensic technology services which include services such as computer forensics, electronic discovery and data analytics, and digital aid expert witness services. This is explainable given the impact of technological advance and e-business on the growth in demand for forensic accounting practices as reported in RQ2c. However, it is apparent from the survey results that the growth in the forensic technological business is more significant for large forensic practising firms who can afford the massive budgets and resources needed to keep up-to-date with the ever changing technological aspects of corporations and the world.

The fourth forensic accounting service area is the disputes market. The disputes

market is very broad and involves forensic accounting practising firms in providing services such as commercial disputes valuations, quantifying damages in any kind of disputes (such as breach of contract disputes, insurance interruption disputes, shareholder/partners disputes, acquisition/merges disputes, intellectual property disputes, and, matrimonial disputes). The results also indicate that, within the forensic disputes market, the demand for international arbitration services has increased enormously in the last couple of years.

The accounting profession was able to claim, strengthen and extend its legitimacy in almost all practice areas of forensic accounting and thus successfully achieve the professional status of the main provider of forensic accounting services. This, of course, was granted through the profession's production of its social imagery and ongoing negotiations of its occupational boundaries and privileges (as presented in the discussion of RQ2b), along with contribution of factors such the technology explosion, globalization and economic downturn (as discussed in RQ2c).

•RQ 2b: Was the accounting profession successful in legitimating the forensic accounting practice? If so, what are the strategies that the accounting profession used to build a professional image as the main provider of forensic accounting services in the public and legal arena?

It was argued in chapter 3, using Abbott's (1988) framework, that for a professional group to be successful in claiming expertise in a certain professional area, it must request from its public audience recognition of its exclusive professional expertise in that particular jurisdiction. It is evident from the findings presented in this thesis that the accounting profession can be seen as the main provider of forensic accounting practices in the UK. The accounting profession achieved the legitimation of the forensic accounting practice by a number of marketing and legitimation strategies that are discussed thoroughly in Chapter 5 (section 5.3.2).

The results indicate that the accounting profession's marketing campaign succeeded by exploiting the following legitimation strategies: First, the accounting profession identified and signified the impact of the unstable global financial position, economic crime, and all other damaging threats upon businesses survival and growth and marked the critical role of the accounting profession's expertise to address and minimise such threats. Second, the surveys and studies conducted by the accounting firms and

forensic boutique firms represent another form of legitimisation strategy employed by the accounting profession. The published reports include percentages of businesses suffering from financial crimes over a period of time, identifying which industries were affected the most and how the accounting expertise can help those businesses to not only address those losses but also to take proactive approaches to prevent them from happening in the future. The findings of the study indicate that those surveys were one of the main marketing tools used by the industry leaders to persuade external audiences how big fraud is in the UK community and its impact on future investments in the UK and globally. Those publications provided the industry leaders great publicity and their reported figures have been used by main law enforcement agencies in the UK to educate the public of the threat of fraud and economic crime to their business.

The third legitimisation strategy utilised by the accounting profession is the representation of the inescapable threats of globalisation. Globalisation creates huge investment opportunities and business growth, but also difficulties in maintaining operations and other business problems. The findings in chapter 5 show that accounting profession has successfully constituted its critical global role to help businesses move forward and take advantage of globalisation opportunities while keeping its risk low. In addition, the accounting profession has advertised the suitability of its expertise to help businesses cope with the today's increasingly litigious environment.

•RQ 2c: what are the external factors (disturbances) that affected the demand for forensic services, and how have they impacted the accounting profession?

Various factors can disturb the development of a profession. As discussed in chapter 3, those forces could be internal (such as developments of new skill or knowledge) or external (such as technological, organisational, cultural or political forces). This thesis as presented in chapter 5 (section 5.3.1) focused on investigating the external forces, and their impact on the forensic accounting practice's professionalisation process. According to Abbott (1988), these forces are likely to either strengthen or weaken a profession's jurisdiction by opening or closing areas for work to be done by existing or new groups seeking new jurisdictions.

State regulation:

The first major source of external disturbances is the increase of regulation pronouncements. Historically political interference has massively contributed to the success of the accounting profession's extension of its jurisdictional boundaries into an array of consultancy services. Similarly, political interference has played a major role in the expansion of the accounting profession's legitimacy in various fields of forensic services.

The increase in business scandals, together with the recent global economic and financial pressures, has resulted in state interference with the aim of restoring public confidence in the economy. Indeed, this has created an enormous market for forensic accounting practising firms, one which increased the growth of their forensic consultancy practice in areas of disputes such as disturbances in business operations (commercial or other), compliance with new regulations (for instance, UK bribery Act, Basel III, Anti- Money Laundering Directive) and a flurry of all types of investigations in various industry sectors.

Political reforms, on the other hand, which led to the introduction of new legislation (such as the UK Bribery Act, US Foreign Corrupt Practice Act, Money Laundering Regulation and all sorts of brand new areas of regulation that aim at controlling economic crime) have created a vast demand for investigations and other services for forensic accountants in areas such as regulatory investigations and compliance, and forensic investigations.

Technological disturbances

The second major source of external disturbances is the *increase and advance of technology*. It has been argued in the accounting literature that the rise in e-business and the demand for specific IT skills for conducting accounting practices have demystified the accounting profession's control of its abstract knowledge and its jurisdictional boundaries, where technologists have been invited into this particular jurisdictional sub-space to conduct essential accounting/audit-related tasks (Haug, 1977). This study, however, provides new evidence that the acquisition of the expertise of IT professionals has often worked well for the accounting profession, where enormous opportunities in new forensic accounting task areas were created.

The findings show that all the big 4 accounting firms' forensic accounting units and the forensic boutique firms investigated for the purpose of this study have reported huge increase in their forensic technology practice. This has created an urge to establish separate forensic technology units to expand the services line to not only assist forensic accountants in investigations, but also provide stand alone services such as: forensic and regulatory analytics, E-discovery response, information risk management, cyber crime, data breach investigations and IT expert witness services.

It is evident from the findings presented in chapter 5 that these external disturbances have contributed to the changing dynamics and nature of forensic accounting practice. This thesis, however, argues against the dramatic suggestion made by the 'deprofessionalisation' literature that the accounting profession was losing the legitimation of its practices to non-accountants. The findings suggest that the accounting profession has invited other professionals into its practice to increase the salience of the accounting profession's forensic accounting practice.

- External disturbances, as discussed in chapter 3 (following Abbott. 1988), , seem to have played a major role in shifting the forensic accounting practice from being merely expert evidence work to being an interplay of forensic investigation and expert witness services that branded forensic accounting under the consultancy service umbrella. The accounting profession was successful in using those external disturbances to its advantage, by utilising strong legitimation and marketing strategies to convince its public audience that each and every company needs a forensic accountant to address a financial problem before it arises, when it arises and after it arises in order to stop it recurring. RQ 2D: What is the abstract, professional knowledge and skills in the forensic accounting practice?

Abstract knowledge

As discussed in chapter 3, for a profession to establish, maintain and extend its legitimacy in a certain field of professional work, it must develop an abstract system of knowledge that is a scientific body of knowledge. This refers to how a profession links its body of knowledge to the academic sphere i.e. universities. Contrary to an argument found in the accounting literature, that the accounting profession has avoided developing any links with UK universities, the findings presented in chapter

5 reveal that the accounting profession has developed a recruitment relationship with UK universities when it comes to the forensic accounting practice. However, in order to acquire the expertise from diverse backgrounds with different qualifications, the profession developed a relationship with UK universities in all academic fields, instead of developing a committed relationship with the accounting academic arm only. This is evident from the survey results where 73.7% of respondents prefer to hire different skills for their forensic accounting practice. The interview results also support this finding.

This relationship has contributed to the success of the accounting profession in legitimising the professional status of the main provider of forensic accounting practice as it allowed the accounting profession to: (1) keep a training/education link with universities which grant them the power and prestige of controlling the abstract forensic knowledge and at the same time (2) benefit from attracting the best talents into the forensic accounting practice without restricting itself to certain type of skills.

Professional Knowledge

The findings presented in chapter 5 (section 5.5.1) indicate the importance of possessing a chartered accountant qualification within the practice of forensic accounting. The interview results and the majority of survey respondents (81.8%) agreed that in order to practice as a forensic accountant/expert witness in the UK, one must hold professional accounting credentials. Any other specialist qualifications (such as Academy of Experts or Expert Witness Institute certification, ICAEW Forensic Accounting qualification) beyond the accountancy qualification were considered by many practitioners to be unnecessary. What seems to control the entry boundaries of the forensic accounting practice is the possession of the accountancy qualification which demonstrates to the public audience a clear identifiable form of professional knowledge and expertise.

However, the findings also indicate that those specialist credentials are favoured by the practitioners' clients, instructing lawyers, judges and juries. And therefore, almost all interviewees and a large number of survey respondents do hold one or two of those specialist credentials. In addition, those specialist qualifications were also reported to be beneficial to keep members up-to-date with the most recent changes in forensic accounting practice.

Skills

The findings presented in chapter 5 (section 5.5.2.1) made a clear distinction between the skills-set needed to be a forensic accountant and the skills-set needed to be an expert witness.

The results indicated that analytical proficiency and communication skills are the foremost skills that forensic accountant are expected to possess. The results also revealed that being detail-oriented, a critical thinker, having the ability to simplify the complex and possessing investigative skills are all critical to the effectiveness of any forensic accountant in the UK. There is also a need for the forensic accountant to look beyond the analytical details and take a coherent view of the overall situation. In addition to the above, an expert witness is expected to be coherent, robust, ethical and to have court room presentation skills.

The findings also identified a need for multi-disciplinary forensic teams, particularly in big four firms, due to their clients global needs and complex accounts. In order to extend their practice into the many forensic accounting arenas, the Big Four firms invest heavily to acquire the required skills-set. Their forensic accounting teams consist of lawyers, IT specialists, engineers, former police officers, asset recovery specialists, and money laundering specialists. They even have specialist forensic technology and business valuation departments within their consultancy arm. On the other hand, the forensic boutique firms rely more on their accountancy skills to be their main selling point and outsource the other parts of their work to specialists.

The survey results also indicate that the proportion of accountants within the forensic accounting teams fell due to other forms of expertise being sought, leading to an increase in the multi-disciplinary nature of these firms. However, the accountancy profession was able to maintain its dominance over the practice of forensic accounting by ensuring that the non-accounting specialists who enter the firm, are still under professional control of the associated ‘accounting partner’ who is in charge of the overall outcome and acts as a channel of communication to internal and external audiences (Cooper et al., 1996).

The findings also indicate an absence of rivalry tension between the different professional groups within their teams. This study contributes to the literature by

representing a case of subtle usurpation- where forensic occupation groups are invited by the superior professional group to work under its jurisdictional control. It also provides evidence of the accounting profession's ability to recreate its knowledge base to serve its own interests and to draw on the support of other powerful institutions in achieving this outcome.

•RQ 2E: Did the accounting profession face inter-professional competition within the forensic accounting practice? If so, what jurisdictional settlements did the accounting profession have to accept?

The rival/competitive groups chosen for investigation in this study are the accounting and law professions. The findings in chapter 6 suggest that the law profession has failed to claim a status in the forensic accounting market, making it the subordinate group to the accounting profession in the forensic accounting industry. The evidence provided confirms that the forensic accounting practice is currently led by the accounting profession which was able to acquire and attract the skills of the law professionals to work under their jurisdiction. The proposition presented here challenges Abbott's framework that was centred on the existence of competition between professional groups as the real determinant of the professionalisation process, and failed to recognise fully factors that might mitigate competition between two professional groups.

Three reasons were suggested by the accounting professionals for the failure of law profession to claim expertise in the forensic accounting practice. First, lawyers act in an advocate role which makes it difficult for them to be independent and hence to prepare expert reports or to take on expert witness work. Second, law firms lack the technological capacity to excel in this field, and hence, cannot keep their people experience and expertise up to date with ever-changing trends of forensic accounting. Third, law firms lack the business acumen and entrepreneurial spirit to expand their jurisdiction into new areas of professional work.

The jurisdictional settlement that the accounting profession achieved gives it full legitimacy in forensic accounting practice, but it also allows other professional groups to do some work.

RQ 3: what does the intra-professional relationship reveal about the structure of the

forensic accounting market in the UK?

In chapter 6 (section 6.2) the findings represent the structure of the forensic accounting market in the UK, which has been characterised by strong competition and a small-scale community, with two tiers of firms dominating the market.

The first tier firms are the large accounting firms with forensic accounting units, who retain large multi-disciplinary teams globally to provide an array of different forensic services to the large corporations, governmental institutes and law enforcement units. The findings indicate the power and dominance of these first tier firms on the forensic accounting market. However, the recent growth of forensic boutique firms (i.e. the second tier firms) in the UK market has challenged the big four firms' power positioning. Evidence shows that the large boutique firms' major acquisitions of smaller boutique firms and their acquisition of skills and expertise from key people in the forensic accounting market have heightened competition for the first tier firms.

On the other hand, the large accounting firms considered the competition from forensic boutique firms to be limited and only recognised when (1) All the Big Four are conflicted, which was reported to be rare, (2) clients cannot afford the high rates of the Big Four firms, and, (3) specialisation in certain areas of forensic expertise is needed. Therefore, it could be concluded that, although the entrance of forensic boutique firms into the UK forensic accounting may have challenged the big four forensic practices, the Big Four firms still hold the professional status of the superior group given their market dominance in both the private and public sector. This is due to their international reach and strong relationships with multinational firms and regulators. Additionally, their monopoly over the corporate audit market gave them a competitive advantage over the second tier firms as the cost effective strategies of their corporate clients urge them to look for all of their professional service requirements from one place.

Chapter 6 findings illustrate that Abbott's (1988) framework lacks focus on the important role of intra-professional relationship in shaping the dynamics of forensic accounting practice. The visible tension between the Big Four and the forensic boutiques indicates the existence of a new form of professionalism, one that is influenced by individual representation (rather than professional group representation), industry experience (instead of abstract system of knowledge), marketization and

legitimation strategies and dominate power of large organisations on the professional development of the forensic practice (Reed, 1996, Muzio et al., 2011).

RQ 4: if auditors appointed by a company provide forensic services (separate from audit services) to management or the audit committee, can these services impair the audit firms' independence? If so, under what circumstances?

Chapter 6's findings (section 6.2.2) presented a division of opinion as to whether an accounting firm's independence can be threatened by its acting in the dual role of forensic accountant and auditor for the same client. On one hand, the large accounting firms believe that with the state of 'independence in mind' and the appropriate safeguards, there is no conflict for accounting firms to act in the dual role. Conversely, the forensic boutique firms argued that registered audit firms should not, under any circumstances, provide any forensic accounting services to their audit clients.

The results, however, differentiated between SEC and non-SEC clients, because accounting firms are prohibited from providing any forensic accounting services to SEC clients since their practices are governed by SOX legislation. On the other hand, the results reveal that practises with non-SEC clients are governed by the perception of the clients and their instructing lawyers', not by any form of legislation by the state or monitoring by professional institutes.

In order to maintain their independence, the accounting firms investigated in this study identified the basis of their decision on whether or not to act on behalf of an audit client in a forensic engagement. The findings indicate that accounting firms refrain from acting in cases (1) that would question the audit opinion, (2) that would lead to investigations of a material fraud (would raise lawsuits against their audit arms due to negligence), or (3) that would promote an advocate role (i.e. expert witness cases).

The findings indicate that accounting firms utilise the following safeguard strategies: (1) the creation of strong Chinese Walls (which refers to the procedures taken by a firm to prevent information obtained in the course of acting for one client being disclosed to other personnel in the same firm who are acting for other clients to whom that information may be important), (2) risk assessment steps and, (3) having more than one partner acting on the case. Therefore, the evidence provided demonstrates

the accounting profession's commitment to safeguard their audit practices - their core area of expertise, which has been argued in the accounting literature to be the cornerstone of their current business and future legitimisation into other areas of professional work (Hopwood et al., 1990 and Robson et al., 1994). This is the perspective that the accounting firms interviewed for this study gave to the researcher. However, in reality, whether they are independent is questionable given the Competition Commission survey results which showed that the majority (90%) of the top 350 listed companies use their audit firms for non-audit services.

It is difficult for the researcher to draw a general conclusion on the conflict of interest dilemma. As illustrated, there are many factors that determine whether independence could be impaired or not and because the regulation is not clear cut, the whole notion of independence is treated on a case-by-case basis. The results, however, revealed the hidden agendas of large accounting firms which largely shape any regulation pronouncements made in the accounting sphere, evidenced by the negotiations between the big four and regulators with regard to which non-audit services to be allowed/prohibited. The accounting firms powerful dominance on the forensic accounting market confirms the notion of corporate professionalism illustrated in the summary provided in RQ3 and shall be further discussed in relation to RQ5.

RQ5: How is forensic accounting regulated in the UK?

The findings presented in chapter 6 showed no negative implications as perceived by the respondents arising from the absence of a general regulatory standard for forensic accounting practices in the UK. On the contrary, the results found a general agreement among the interviewees and survey respondents (87.8%) that the current self-regulatory system is effective, where the general guidelines coming from the different institutes involved in forensic accounting (such as TAE and IEW guidelines, Civil Procedure Rules, CI Arb guidelines and ICAEW ethical code), together with the internal guidelines developed by professionals' own firms have been successful in regulating the market.

The findings also indicate that the forensic accounting practice, being regulated by the market, referring to the rigorous interview process that solicitors/barristers undertake and the fear of getting criticised by judges which heightened competition and eagerness to remain reputable, is far more effective to protect the boundaries of the

forensic accounting practice than having a certain set of standards. The difficulty of constructing broadly focused regulations to cover all forensic practices and engagements has also been raised by the interviewees and survey respondents. Reasons provided for this difficulty include: (1) the forensic practices are quite broad, (2) in each engagement its scope is set differently and according to the client's budget, and (3) lack of faith in the ICAEW's capability (in terms of knowledge and experience) to guide experienced professionals who claim to know more about it than the institute. This might explain the failure of the ICAEW to attract the interest of the already established professionals interviewed and surveyed for the purpose of this study, even for a softer form of regulation as compared to the American and Canadian approach.

In general, the findings suggest that there is a strong resistance from the big players of the forensic accounting practice to adhere to any form of strict regulatory context; they argue that internal engagement quality reviews carried out by their national offices have been very effective in keeping their professional standards high in all their areas of practice, not only forensic accounting. Perhaps, having such standards in place defining the boundaries of independence and conflict of interest, might be perceived as being likely to impact the forensic practices, particularly of the big players, in a manner that they would seek to avoid. In any case, this illustrates the notion of corporate professionalism, a very strong theme that recurred within this study, where it has been evident that large forensic accounting practising firms' play a significant role in shaping how forensic accounting is to be regulated in the UK. It could be concluded that the forensic accounting practice is currently witnessing professionalisation from 'within' (i.e. an elite professional group is emerging) as opposed to from 'above' (professional institutes). Perhaps, the pressures from the EU to regulate the audit market, together with the recent accusations in Parliament that the large accounting firms are helping corporations to lower their tax profile in the UK (Skynews, 2013) will weaken the powerful positioning of large corporations in the future. This is a fruitful area to pursue for future research.

The next section aims to summarise the contribution of this study to the existing knowledge in the accounting literature.

7.3 Contribution to Knowledge

The contribution of this study can be differentiated from those of other studies in five main areas. First, this study contributes to the existing literature through examining in-depth an area which is largely overlooked in the accounting literature, namely the practice of forensic accounting in the UK. This study has clearly provided empirical evidence of the current structure, features and characteristics of forensic accounting in the UK, with a clear distinction between the UK's invisible regulatory system as compared to the other western territories as presented in chapter two. To my knowledge, there is no other study that has provided a thorough analysis of the forensic accounting market, particularly in the UK.

Second, the professionalisation of forensic accounting is an overlooked area of research in the accounting literature. Therefore, to the best of my knowledge this study represents one of the first empirical investigations to utilise Abbott's (1988) conceptualisation as a platform to critically analyse the forensic accounting professionalisation process. Almost all previous research into the accounting profession has used archival and document analysis to investigate historical accounts of different periods of accountancy professionalisation. This study, on the contrary, uses case studies to examine a current pivotal point in the professionalisation of a new area of accountancy practice: the legitimisation of the forensic accounting practice. What differentiates the contribution of this study is that it also introduced new accounts of professionalism that were missing from the traditional sociology of profession literature, such as corporate professionalism and intra-professional competition's influence on professionalisation. These themes were totally overlooked by Abbott (1988); hence I propose that those themes be investigated further in future professionalisation studies.

Third, much of the focus of the accountancy profession's school of thought was on inter-professional competition between accounting and law (Pong, 1999), accounting and engineering (Armstrong, 1985), accounting and IT (Kotb et al., 2012) and accounting and medical professionals (Kurunmaki, 2004). Although this study provides critical insights into the inter-professional competition between the

accounting and law profession, it also focuses on intra-professional competition between the large accounting firms and the forensic boutique firms⁵⁵.

Fourth, this study examines the role of the big four accounting firms in the process of forensic accounting professionalisation. There have been recent calls (e.g. Cooper & Robson, 2006; Hanlon, 1994) to increase examination of large accounting firms due to their current central role in the process of professionalisation, regulation and the division of labour.

Last but not least, this study contributes to the existing forensic accounting literature by investigating critical issues that impact the current field of forensic accounting which was largely overlooked in the accounting literature and sociology literature up to this date. This research facilitated the understanding of themes such as, the independence and objectivity of forensic and investigative accountants, the political powers of members of the profession, the factors that contributed in shaping the current structure of forensic accounting and the formal and informal regulatory system that governs the forensic and investigative accounting governance and regulatory system.

7.4 Limitations of the Study

The conclusions of this study are limited in some respects. First, the results presented are based on the interpretation of the views of forensic accounting practitioners and their professional institutes but not those of other forensic accounting stakeholders, such as their corporate clients, the instructing lawyers that hire them and law enforcement agencies. This makes it difficult to draw general conclusions. However, the objective of case studies is not generalisation, but explanation (Ryan, Scapens & Theobald, 1992).

The second limitation of this study is that the research could not take into account the EU current pronouncement with regards to the audit market concentration and limited

⁵⁵Chartered Accountants dominate the forensic boutique firms and to a large extent encompass big 4 professionals who moved into the specialism of forensic and litigation work.

competition. This aspect would have major impact on some of the themes in this research. However, the EU recommendation is in a consultation phase and no actual regulations were put in place to help the research to investigate the impact of their recommendation on the large accounting firms.

The third limitation of this study is the difficulty of having access to data. The researcher was very keen to conduct a participant observation of forensic accounting practicing firms to enrich the data analysis and to access the ICAEW library forensic publications and reports. However, this was not possible due to the high confidentiality of this area of accounting practice. In addition, due to the sensitivity of some of the aspects discussed with the interviewees, relevant themes might not have been brought up by interviewees to avoid further interrogation.

The fourth limitation of this study is the dependence on a mail survey. Although the researcher has done her best to assure that the survey has reached the right people chosen to participate in this study, the researcher cannot assure that they are the ones who filled the survey, particularly when the sample is the biggest players of the market with busy schedules and lifestyles.

7.5 Conclusions and Future Research Directions

This study has produced a thorough investigation of the emergent forensic accounting profession in the UK. It has highlighted the current desire in the UK to adopt a *laissez-faire* approach to regulation which contradicts the approach adopted in the US, Canada, and Australia and which has created a market situation that is both confusing—what exactly is a ‘forensic accountant’? – and potentially open to litigation and dispute, due to the lack of a formal specific recognised professional qualification for people working in this field. The complacency shown by the respondents towards the lack of a widely recognised professional qualification and towards the lack of specific regulation may be a cause for concern and should be the focus of further research.

Another possible avenue for future research is a comparative study between the UK and other countries, comparing the professionalisation route of forensic accounting in

different territories and to examine how different regulatory systems influence the professionalisation process of forensic accounting. In addition, there is a need for future research to investigate the interpretation of other forensic accounting stakeholders, particularly the legal profession in terms of how they define forensic accounting, what criteria they use to choose the forensic accounting firm to investigate their cases, when they would call in special investigators and when they would rely on their in-house specialists. Additionally, the reasons why the other professional bodies in the UK such as ICAS or ACCA did not put any emphasis on the forensic accounting is another area that needs further investigation.

Another area of potential research might be related to accounting education, given the limited body of research related to forensic accounting education in the UK. It might be useful to examine whether universities are integrating fraud and forensic accounting courses in the accounting curricula to what extent these topics are covered and what factors affect the decision to integrate, or not to integrate, forensic accounting into education.

Finally, it is suggested that future research should employ a wide variety of techniques to gain research insights that could not be captured by the use of interviews. In particular, there is a potential to use participant observations to investigate in depth issues related to the controversial independence issue of auditing firms providing both auditing and forensic accounting services to their clients. Forensic accounting is a new area of research, and the findings of this research may serve as a starting point for many future research projects.

8. Bibliography

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Appendix

Appendix I: Interview Schedule

Interview questions:

Q1. For how many years have you been working in forensic accounting? Why did you choose this field of work?

Q2. What is your current position in the firm? How did you come to this position? (career path)

Q3. What qualifications do you hold?

Q4: what academic qualification should a forensic accountant possess?

Q5: do you think forensic accountants should hold a special professional qualification? If so, what is it?

Q6: what skills should a successful forensic accountant possess?

Q7: Is there shortage in these skills?

Q8: do you think the accounting profession fulfilled the skills needed for forensic accounting practices? What contribution do other professions – lawyers, detectives – make?

Q9: what areas of forensic accounting practice does your firm specialise in?

Q10: What is the background of the persons employed in your forensic accounting team? Which kind of qualifications and experience do they hold?

Q11: how are forensic accountants are trained in your firm?

Q12: what are the changes in business practices that made the skills and services of forensic accounting more needed?

Q14: who are the main providers of forensic accounting services?

Q15: which areas of forensic accounting practices are growing the most (in terms of number of clients and turnover)? Why?

Q16: are you aware of conflict between the accounting profession and other professions over the allocation of these services? What sort of conflict does your firm face? Who are your main competitors? What's your firm strategy in dealing with such conflict?

Q17: do you refer to any regulation or guidelines in your provision of forensic accounting services? what do you follow? To what extent you think they are effective? Are additional forms of regulation needed?

Q18: How is the performance of the FA department monitored in your firm?

Q19: what are the recent developments in the Civil and Criminal Procedures act that have changed the scope of your practice?

Q20: what is your opinion about the ICAEW role in regulating and guiding their members with regards to forensic accounting practices?

Q21: do you think the ICAEW should develop a forensic accounting guideline? Why?

Additional questions to members of NIFA:

- When was NIFA established? Why
- What do NIFA offer that is different from the Big4?
- How do NIFA market their services?

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1. For how many years have you been working in forensic accounting? ()Years
2. How would you define “Forensic Accounting”?
3. Which <i>academic</i> qualification(s) should a forensic accountant possess?
4. Which <i>professional</i> qualification(s) should a forensic accountant possess?

5. Which of the following services does your firm offer (please tick all that apply)?			
Commercial disputes	<input type="checkbox"/>	Matrimonial investigations and valuations	<input type="checkbox"/>
Criminal defence	<input type="checkbox"/>	Personal injury	<input type="checkbox"/>
Digital forensics	<input type="checkbox"/>	Professional negligence	<input type="checkbox"/>
Expert determination	<input type="checkbox"/>	Tax investigations	<input type="checkbox"/>
Fraud/regulatory investigations	<input type="checkbox"/>	Valuations for litigation purposes	<input type="checkbox"/>
Insurance claims	<input type="checkbox"/>	Expert witness	<input type="checkbox"/>
Others (please specify)			

6. Approximately what are the percentages of the following professional groups working in your forensic accounting department? (the total should = 100%)		
	Now	2 years ago
Qualified Accountants	%	%
Lawyers	%	%
IT Specialists	%	%
Economists	%	%
Other – please specify:	%	%
7. How many people work in the department?		

8. Below are a series of knowledge and skills that forensic accountants may need to possess. For each of the following, please identify whether it is 'Not Required', 'Desirable' or 'Essential'.			
	Not Required	Desirable	Essential
Auditing skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Effective oral communication skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Effective written communication skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cross examination tactical ability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Presentation skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interview skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial fraud investigation skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Business/Asset valuation skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Loss quantification skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial investigation skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial adviser skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ability to think like the 'wrongdoer'	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ability to synthesis results of discovery and analysis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Critical strategic thinking skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expert witness skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Problem solving skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ability to analyse and interpret financial information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Asset tracing skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Conflict resolution skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knowledge of rules of evidence and court procedure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Analytical skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knowledge of the legal system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knowledge of relevant professional standards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Deductive Analysis skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Court testifying expertise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other - please specify:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

9. Would audit independence be threatened if an auditor provided Forensic Accounting services:			
	Yes	No	Don't Know
i- As part of the audit engagement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ii- Outside the audit engagement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

10. Do you follow regulations or guidelines in your provision of forensic accounting services?	Yes	No
	<input type="checkbox"/> Go to question 11	<input type="checkbox"/> Go to question 14

11. What are these regulations/guidelines?

12. To what extent are these regulations or guidelines effective? (Use a scale of 1 to 5, where 1 = not at all; and 5 = very effective)				
1	2	3	4	5

13. Are additional forms of regulation needed? (Please explain your answer) Yes ☐ No ☐

14. Does the lack of forensic accounting regulations in the UK threaten the practice of forensic accounting? Yes ☐ No ☐ Please explain your answer:

15. Should the provision of forensic accounting services be regulated in the UK?

Yes ☐ No ☐ Please explain your answer:

16. If asked, would you classify Forensic Accounting as:	Tick
a. A separate profession	<input type="checkbox"/>
b. A part of the accounting profession	<input type="checkbox"/>
c. Both (a & b)	<input type="checkbox"/>
Please explain your answer:	

17. Do you expect the future demand for forensic accounting services to:	Tick
a. Increase?	<input type="checkbox"/>
b. Remain the same?	<input type="checkbox"/>
c. Decrease?	<input type="checkbox"/>
d. Unsure?	<input type="checkbox"/>

18. To what extent do you agree or disagree that there is a lack of qualified forensic accountants?				
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

19. What is your job title?

20. What qualification(s) do you hold?

If you wish a summary of the results of this questionnaire, please enter an email address here:

Thank You

